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EDITORIAL

As We See It

Despite all the shouting and the tumult, all the diversionary tactics, all the mendacity, and all the distressing vulgarity by which the current political campaign has on too many occasions been plagued, certain elementary facts seem to stand out in stronger relief in the closing days of the struggle than at its beginning.

Thirty days before the Democratic convention last summer, it would, we venture to guess, have been very difficult to find a corporal's guard who supposed for a moment that it would be practically possible for the Democratic party to draft a platform which did not endorse and indeed boast of the New Deal and Fair Deal, or choose a candidate who might find a way to avoid endorsing all this record of "accomplishment" and make his bid for election this autumn on the basis of it—that is, not possible for the Democratic party to do any such thing with any hope of success.

Yet when the time came, there were certain leaders of that party who realized what a burden President Truman was to his party, who felt the political force of the belief that the time had come for a change, and who apparently conceived the idea that Mr. Stevenson, the reluctant candidate, could go before the people as one able to supply the change demanded, reshaping and remolding party philosophy, party programs, and cleaning up the mess in Washington—all in the name of the party responsible for all this and up to the last moment very boastful of it. Mr. Stevenson himself seemed at first definitely under some such impression—and, as is well known.

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Bull Market Is Not Over!

By KENNETH WARD*
Hayden Stone & Co.,
Members New York Stock Exchange

Asserting there is an unusual amount of cautiousness and conservatism in the stock market, Mr. Ward reviews current economic backgrounds, and on the basis of these, in spite of bearish predictions, declares himself "a cowardly bull." Sees bull market still not ended, and maintains there is no technical evidence as yet of beginning of bearish trend. Discusses stock market position of various groups of stocks, and expresses opinion that ownership of stocks should work out better than holding cash.

It is again a great privilege to discuss the stock market, but let me say at the outset that forecasting, like crime, does not pay, and nowhere is the pride of opinion more expensive than in the stock market. No one can shoot par on this course.

Kenneth Ward

Two years ago it was my privilege to listen to a very well-known commentator talk about the stock market. I was particularly impressed with his reasoning when the averages were selling at approximately 200 D. J. and the three foremost arguments he used to back up his bearish opinion were first, that the high yields on common stocks were not too important because the buying and selling of stocks was primarily motivated by a desire for capital gains, and that income taxes were then at such a high level that this influence destroyed the buying incentive of individuals, especially those in higher income tax brackets. The second point was that the fear of inflation was not a factor of importance in preventing a decline in stock prices because in 1937 we had had seven consecutive years of deficit financing. Finally he pointed out that pension fund and profit sharing fund buying would not have any appreciable effect on the market for another year or

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*A talk by Mr. Ward before the Association of Customers' Brokers, New York City, Oct. 21, 1952.

Outlook for the Stock Market Is Bearish

By JAMES F. HUGHES*
Auchincloss, Parker & Redpath
Members New York Stock Exchange

Contending, on basis of experience with the regulated market, probabilities point to lower stock prices in next two to four years, Mr. Hughes relies on a "breadth index," which, he says has been revolutionized by regulation. Says impact of professional speculation in keeping market in well-defined trends, by concentration on pivotal stocks, cannot be ignored, and this influence has ceased. Holds speculative climax in stocks has already passed, but forecasts no collapse in stock prices, so that opportunities may exist for good "trading swings."

Technical relationships since the spring of 1951 have not justified the projection of a broad major advance in the stock market. Among these unfavorable technical relationships the most important has been the action of a breadth index based on the daily advances and declines of the issues traded on the New York Stock Exchange. When this index, after reaching a high in February 1951, gave up its position of leadership and refused to go along with the D-J industrial average to new highs in May and again in September, the technical probabilities for the long pull turned definitely adverse. On the basis of experience with the regulated market since 1938 the probabilities pointed to an unsatisfactory market performance covering the next two to four years.

James F. Hughes

Several times this year it has seemed as though the technical indications supplied by the breadth index were about to be proved all wrong. In January the industrial average nearly equalled the September 1951

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*A talk by Mr. Hughes before the Association of Customer's Brokers, New York City, Oct. 21, 1952.

ON THE INSIDE—A glance at the Index on page 3 vividly shows the wealth of information of vital importance to the securities field, investors, and businessmen which is available in the Thursday "Chronicle" every week throughout the year.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

ROBERT E. ANDERSON
Vice-President, Hill Richards & Co., Los Angeles, Calif.

Telecomputing Corporation

To the stock market adage "Trees don't grow to the sky," it is appropriate for a California observer of trees and stocks to append a reminder that Sequoias do, nevertheless, get awfully tall. And that some companies, in no way recognizable as Sequoia sprouts when they were first pushing their way out of the ground, have, within two or three decades, grown into towering giants. Standard & Poor's, in a "Growth Stock" advertisement a week or two ago, pointed out that $1,000 invested in International Business Machines in February, 1921, would be worth almost $100,000 today.

Robert E. Anderson

The botanist recognizes in the early stage of development of a tree that that particular piece of flora has something in it that, given the proper nourishment and protected by a favoring environment, will cause the sapling to keep on growing until it gets pretty well along toward the sky. It's a much tougher job for investors, but they too have the historic knowledge that some companies, if they are fortunate enough to be favored by industrial trends and superb stewardship on the part of management, also attain heights beyond the original concepts of the persons who planted the seed.

Telecomputing Corporation, five-year-old Burbank, California, manufacturer of electronic data analysis equipment, may be among these twice blessed companies. The price performance of its common stock (we'll first mention effect and then go back to cause) has been putting out strong hints in that direction. First publicly offered at 5⅞ in March, 1951, the one-class equity is offered at 28½ today.

History—Telecomputing Corporation was organized in July, 1947, as a computing service organization. The company owes its inception in large part to Mr. Ward W. Beman, President of Telecomputing, who, in his former position as Chief Aeronautical Research Engineer of Lockheed Aircraft throughout World War II, had been instrumental in applying I. B. M. equipment to the solution of engineering problems. During the first year of its existence the company functioned only as a supplier of computing services, used in its computing services only equipment manufactured by I. B. M., and it did business largely with one customer, Lockheed Aircraft. Early in 1948, Telecomputing began the development of instruments of a new type to supplement the I. B. M. equipment, and by the third quarter of 1948 the company had constructed for its own use a prototype of the Telereader, which became the company's first important maufactured product.

This instrument and the one which followed it, the Telecorder, were originally designed and made for the use of the company in providing computing services. However, upon the completion and improvement of the first two instruments, the company found that several organizations for which it had been performing computing work wished to purchase the instruments. Late in 1949, the company therefore began their commercial production, in some cases with modifications to meet requirements of individual customers.

What It Does—The company's five principal "standard product" instruments at present are the Telereader, Telecorder, Telecordex, Teleplotter and Universal Telereader. The company also produces miscellaneous related equipment and engages in development contracts.

These instruments are highly complex, electronically operated devices used almost exclusively in the analysis of scientific and engineering data. Prices of the instruments range from about $5,000 to $20,000.

The company's customers include many government laboratories and universities, most leading aircraft companies, and several companies in miscellaneous fields. Among them are Aberdeen Proving Ground, Los Alamos Scientific Laboratory, California Institute of Technology, Consolidated Vultee, Douglas, Hughes Aircraft, Glenn L. Martin North American Aviation, Republic Aviation, United Aircraft, Philco, Raytheon, Shell Oil Geotechnical Corp., Foote Bros. Gear & Machine, and Pacific Telephone & Telegraph.

Telecomputing occupies space in five buildings at four locations in Burbank. It employs about 155 persons, of whom 40 are engineers and scientists.

Three months ago, Telecomputing announced a joint development agreement it had entered into with I. B. M., effective June 1, 1952. While full details have not been divulged, it was disclosed that the agreement called for Telecomputing to begin work immediately on three development projects for I. B. M. It is understood that the basis of compensation to Telecomputing is cost plus. The right is reserved to I. B. M. to cancel any of its commitments within six months upon the payment to Telecomputing of specified minimum amounts. While the agreement is open-end as to both dollars and duration, it is contemplated that the first phase may extend for at least 15 months, or until about September, 1953. Telecomputing has submitted its first progress report to I. B. M. It has reason to believe that its progress has been eminently satisfactory.

Shipments and Earnings—The I. B. M. agreement is an important string in Telecomputing's bow, but it is not one of the strings on which the tune of record-breaking sales and earnings is now being played. While there has been close cooperation between the company and I. B. M. throughout Telecomputing's brief history, the only direct ties are (a) Telecomputing's use of I. B. M. equipment in connection with its own, and (b) the development agreement. As closely as can be reasonably estimated at present, earnings from the development agreement will remain small for some time in relation to the company's steeply rising earnings from its non-I. B. M. endeavors.

This Week's Forum Participants and Their Selections

Telecomputing Corporation—Robert E. Anderson, Vice-President, Hill Richards & Co., Los Angeles, Calif. (Page 2)

First National Bank of Chicago—Gordon D. Gregory, Manager of Bank Stock Dept., Swift-Henke & Co., Chicago, Ill. (Page 25)

Telecomputing's first half 1952 report to stockholders pointed out that, on the company's fifth anniversary, Telecomputing's growth trend — that of approximately doubling the size of the company each year since its incorporation — remained unbroken. Actually, this statement was a modest one. The company could have said that sales, pretax net, and net profit in the first half of 1952 were all far more than 100% over the respective figures of the first half of 1951. Sales were $725,600 vs. $314,600, pre-tax net was $88,100 against $24,500, and net after taxes showed almost a four-fold rise, to $38,400 from $10,800. On the 90,000 shares of $1 par capital stock outstanding at the end of 1951, earnings were 43c in the first half of 1952 against 12c in the first half of 1951.

Records are continuing to topple this half. August deliveries set a new high and September beat August. It is a foregone conclusion that September quarter earnings, both before and after taxes, will be the highest of any quarter in Telecomputing's history.

Growing Pains — Plant space, personnel, and money to cope with expansion at a 100% annually compounded rate have been and probably will remain the company's big problems. Already the company has spilled out into five buildings. All of them are small and together they are no more than adequate for present needs, which means that they may be hopelessly inadequate a year or two hence.

The space problem is, of course related to the money problem Until March, 1951, the stock was entirely owned by the company's founders. It was then reclassified into 40,000 shares, and a new issue of 50,000 shares was publicly offered, of which net proceeds to the company were slightly over $250,000. There were also issued at the time of the underwriting 45,000 stock purchase warrants exercisable at 6 and expiring April 30, 1957. A few thousand of the warrants have now been exercised and presumably more will be in the months or certainly the years immediately ahead, but even the $270,000 proceeds from full exercise, plus retained earnings, may not be the whole answer to the company's financial problem if its growth rate is sustained at anything like what it has been. It may be expected that the company will try to get a plant without diluting the equity —perhaps by a lease-back arrangement — but new financing must be regarded as a possibility within the next year or two.

Accompaniment of Growth — The degree to which management is forward-looking might almost be measured by the problems it has. If the past is a criterion, Telecomputing will continue to have problems year after year, for the management shows no signs of being content to let the business roll along as it now is. The company's function, as a matter of fact, might

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Speculation in Color and Depth

By IRA U. COBLEIGH

Author of "Expanding Your Income"

A snapshot treatment of two bright oases in the motion picture industry—Technicolor, Inc., and Cinerama, Inc.

Ira U. Cobleigh

That motion picture entertainment has been a flickering and flagging industry for many months is well evidenced by the some 4,500 odd movie playhouses that have shuttered since January 1951, by the sodden performance of cinema shares on the New York Stock Exchange and by the great economy wave in the erstwhile flashy and prodigal studios of Hollywood. The current salaries of some stars are now below their income taxes of a couple of years back; and no producer is in any mood to plunk down a quarter million for movie rights to a best seller. Those days are (you'll pardon the expression) "Gone With the Wind!"

Technicolor, Inc.

However, there is one thing movie moguls are doing, even though it may cost them a few hundred thousand a picture extra. They're hopping up the box office with Technicolor attractions. People want color, and that's just fine with Technicolor, Inc. which has been making hay while the films shine.

The Technicolor patents cover what is called a three strip film process. Each camera runs three separate films at the same time. One film is sensitive to green, one to blue, and one to red. Put them all together and it spells Technicolor! They're also perfecting a Monopack process which laminates these color elements all in one film.

The deeper the decline in motion picture attendance, the more producers have clamored for Technicolor. Thus it is that sales of the Technicolor, Inc. finished product, namely positive print footage, have increased from 165 million feet in 1946 to over 392 million in 1951. The company isn't stopping there; by the end of this year an expansion program will bring capacity to 600 million; and by 1954, 800 million. Although this expansion is charted to cost nearly $3 million, current assets of $10 million at the 1951 year-end, plus current earning's rate, suggest that this expansion can be handled without public financing.

About the future, there's always competition, present from Ansco and Eastman, and later from others who may work out a new, or lower cost technique. Right now, Technicolor seems to be to color, what Coca-Cola is to soft drinks—the leader, by virtue of process, know-how, salesmanship and the pioneering in the field. It is still a costly process, however, and that fact, together with the dynamic potential demand (now for movies, and later on, in a big way, for TV) project the probability of sturdy competition.

About capitalization, it's uncomplicated, consisting merely of 931,273 shares of common, traded regularly on the N. Y. Curb where it has ranged from a low of 6 in 1941 to high of 30 in 1945. Current quotation around 24½ does not appear inflated, and it would be not too difficult to argue that the company is today a more integrated and potentially profitable enterprise, than it was six years ago when its stock sold five points higher. About dividends, at least 25c a share has been paid each year since 1940. Present annual rate of $2, if sustained, is an 8% yield.

Other facts of interest might be Technicolor's 51% owned British subsidiary, which netted over $500,000 last year; and the fact that the company would benefit handsomely if the Excess Profits Tax Law died next July. This tax cut per share net by 91c for 1951—down to a thin $2.06. The 1952 net figure, on results so far, should be a bit better. Here, definitely, is a colorful company with current earnings and horizons of growth more encouraging than certain other motion picture enterprises now appear to offer.

Cinerama, Inc.

So much for color. Now let's talk about depth in pictures. When, on Sept. 30, 1952, "This Is Cinerama" opened at the Broadway-Shubert Theater, New York, even the most blasé and cynical magazine and newspaper critics, some of whom would merely yawn if they were viewing "Anthony and Cleopatra," with the original cast, came up with super rave notices, that read like Hollywood press agent prose. The now famous roller coaster scene, that yanks you right out of your seat, and Aida, which transports you bodily to La Scala in Milan, have sent thousands of viewers out into the street feeling as though they'd been shot out of a cannon. Individual and press promoted enthusiasm have suggested to hundreds that Cinerama is the entertainment of the future. Stock in the enterprise might, in their opinion, duplicate some of the glamour and profitability of Radio in the twenties, or Warner Brothers common, which, blowtorched by its first talking picture, "The Jazz Singer" in 1927, zoomed from 24 to 139 in less than two years.

Lest enthusiasm and zeal for a dramatic new motion picture form run rampant, let's take a few

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How Stable Is the Economy?

By SUMNER H. SLICHTER*
Lamont University Professor,
Harvard University

Professor Slichter analyzes both weak and strong forces in the economy, and concludes the problem of averting a recession, when defense spending drops, will be a tough one. Holds, however, there are powerful instruments available, if used wisely and effectively, that can avert a depression, but foresees human frailty preventing their full and efficient use so, that some recession is likely. Says major concern of businessmen for next two years should be development of policies to deal with reduction in defense spending.

I

In about two years or less one may expect the outlays of the government for defense and foreign aid to begin to drop. The decrease will be around $5 billion to $10 billion a year, and will continue for two or three years. The ability of the country to adjust itself to the drop in the demand for defense goods will depend upon the capacity of the economy to grow. If the drop in defense spending comes in one of the periods when the economy is expanding, the adjustment will probably be made quite smoothly. On the other hand, if the drop is super-imposed on a more or less normal period of recession, the resulting contraction could be substantial and painful.

Sumner H. Slichter

In these remarks I wish to examine in a fairly concrete fashion some of the weak spots and strong spots in the economy. I have two purposes in mind. In the first place, I wish to shed light on the problem of adjusting the economy to a drop in defense expenditures. In the second place, I wish to indicate some policies that would help make the adjustment come easier.

II

As a foundation for this analysis, I wish to look briefly at the movements of output and prices over the last 60 years. During most of this period the economy was growing. Its output, expressed in dollars of constant purchasing power, increased about 115% in the 20 years from 1889 to 1909; 112% in the 20 years from 1909 to 1929; and 80% in the 21 years from 1929 to 1950. Part of the rise has been due to the growth of the labor force, but most of the gain in production has been due to the rise in output per man-hour. In fact, during the last 20 years or so, about 73% of the gain in total production was due to more output per man-hour, and about 27% to more men at work.

Although the expansion of the economy has been rapid, with physical output growing from 80% to more than 100% every 20 years, the growth has not been steady. In 14 of the 61 years from 1889 to 1950, the physical output of the economy dropped. In other words, the economy has been contracting during about 23% of the time and expanding during about 77% of the time. Expansions and contractions of physical production correspond quite closely to booms and recessions in employment or in the *dollar* volume of output, but not exactly. For example, some recessions such as 1924, 1927, or 1949, were not accompanied by any drop in the *annual* figures for production.[1] Furthermore, there have been some periods of boom, such as 1920, 1945, and 1946, when the annual figures for output were below those of the previous year. Most of the drops in physical production have been small—in nine out of the fourteen cases the drop was less than 5%. The largest drop was 14%. It occurred between 1931 and 1932.

The movement of prices during the last 60 years has, in general, been upward. In 1950 the wholesale price level was over 180% above 1889—in other words, it had almost trebled. But the rise of prices has been far from steady. In 21 years out of the 61, the average wholesale price level was lower than in the preceding year. In other words, prices were falling about one-third of the time and rising about two-thirds of the time. The drops in prices, however, were much greater than the drops in output. Some of the price declines ran for more than a year, so that the 21 years in which prices dropped were concentrated in 13 declines of four years or less each. In two of these declines the drop in wholesale prices was over 30%; in another it was nearly 20%; in still another, over 10%; in two more, between 5 and 10%.

Periods of expanding production have usually (but not always) been accompanied by rising prices. Between 1889 and 1950 there were nine periods during which physical output rose without interruption, at least as shown by annual figures. One of these periods was three years in length; three were four years, one was five years, one was six, one was seven, one was nine. The present period of expansion has already run six years without interruption except for a slight one in 1949.[2] In seven of these nine periods of expanding production the price level rose and in two of them it fell. Some of the rises in the price level were quite large. In three periods the price level advanced over 30% and in one of them (the period of the First World War) nearly 100%. In still another period of expanding output (1894 to 1903) the price level increased 24%.

The fact that the growth of output is interrupted every now and then by periods of contraction and that some of these contractions are accompanied by substantial drops in the price level has always been an important influence on business thinking and has limited the willingness of managements to expand their enterprises. If the danger of general drops in demand could be substantially mitigated, there is little doubt that most business concerns would plan more ambitiously for expansion. The result would be a more rapid growth in output and in the country's standard of consumption.

III

The success of the economy in adjusting itself to a drop in defense spending will depend upon the weaknesses and strengths in the economy. What are these weaknesses and strengths? The great weaknesses are (1) the large increase in automatic savings brought about by the enormous increase in private pension funds during the last six years; (2) the large rise in corporate and personal indebtedness during the last six years; (3) the fact that the maturities of E bonds will be considerably smaller in 1955 and 1956 than in 1953 and 1954; (4) the fact that a high rate of expenditures on plant and equipment for nearly five years has pretty well supplied the country with new and efficient producing capacity; and (5) the fact that the number of new housing starts has for several years been substantially outrunning the increase in the number of families. The large rise in debt and the large expenditures on plant, equipment, and housing are characteristic of the later phases of a boom and suggest that the drop in defense spending will more or less coincide with a normal contraction after a boom and may greatly aggravate that contraction.

The principal elements of strength in the economy are: (1) a large volume of liquid resources; (2) fairly well-developed arrangements for partly maintaining many personal incomes in periods of contraction; (3) some backlog of unmet needs, particularly in the field of public construction; (4) recent important gains in the capacity of industry to create new investment opportunities and new and better consumer goods; (5) the strong spirit of caution that dominates decision-making by

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*An address by Dr. Slichter before the Kentucky Bankers Association, Louisville, Ky., Oct. 20, 1952.

1 There may have been a drop which did not show up in the annual figures.

2 Physical output in the year 1949 as a whole was the same as in 19[illegible]. There was a small drop within the year.

Outlook for Interest Rates

By MARCUS NADLER*
Professor of Finance, New York University

After explaining factors determining interest rates, Dr. Nadler states it is doubtful, whatever the outcome of the election, whether there will be any change in debt management or money market policies. Says money rates in coming months will be influenced by level of business activity, which is likely to turn downward during the coming year. Expects decline in interest rates sometime next year, but says it will affect various segments of bond market differently.

Money rates are the resultant of various forces operating in the economy. Only through a careful analysis of these forces can one reach valid conclusions as to what money rates may do in the future. The most important factors to consider are, briefly:

Marcus Nadler

(1) Business activity, which in turn has an effect on the demand for and the supply of credit and capital.

(2) Seasonal forces, which exercise only a temporary influence.

(3) The position of the Treasury, which has a bearing on the demand for and the supply of short-term funds and on prices of government obligations.

(4) The movement of commodity prices, that is, whether the economy is in a period of an inflationary or a deflationary trend.

(5) The policies of the Reserve authorities, which are influenced by all the factors enumerated above and which in turn have a bearing on the money market and hence on money rates.

Business Activity

Business activity today is at a high level and in all probability will continue at this level, or even increase, during the next few months. So long as business activity remains at the present level the demand for credit and capital is bound to continue high.

At present there is even a question as to whether the prime commercial rate will remain at 3% or will be increased to 3¼%. There are factors which favor an increase and others which favor leaving the rate unchanged. What will take place is impossible to state at the moment. However, should the prime rate be increased from 3% to 3¼%, the rise is certain to have an impact on rates of government obligations as well as other high-grade bonds.

Seasonal factors also play an important role at present. This is the time of the year when crops are moved and inventories accumulated. This naturally leads to an increase in the volume of commercial loans. However, the seasonal increase in the volume of loans has not been as great as originally expected.

The current position of the Treasury is also exercising an influence on the money market. The Treasury has offered $2½ billion of tax anticipation bills, a large portion of which have been bought by corporations. Because the subscriptions by corporations for these tax anticipation bills are handled through the tax and loan accounts, the resulting increase in deposits of the commercial banks creates a demand for additional reserve balances. Unless these reserve balances are furnished by the Federal Reserve Banks through purchases of government securities in the open market, the result is tighter money.

The Outlook

The prime question in the minds of most people interested in the movement of interest rates is: what is the outlook? Here, again, a careful analysis of the various forces which have a direct bearing on the money market may give us the clue as to what may take place in the future. It is doubtful whether the outcome of the election will have any material effect on debt management or the money market. At least in the immediate future, no important changes in debt management will be made by the new Administration.

Money rates in the next few months will be influenced primarily by the level of business activity. From present indications it would appear that sometime during the coming year business activity will turn downward. When the downturn will come it is impossible to state. It may be early in the year or it may not come until towards the end of the year.

The principal factors which will bring about a moderate decline in business activity, briefly stated, are as follows:

(1) Military expenditures will level off after the middle of the year. This, of course, assumes no unforeseen event nor any worsening in the international political situation. While military expenditures for the next fiscal year, 1953-54, will remain at a high level, under present plans they should not increase.

(2) Capital expenditures by business, which at present are at a very high level, are likely to decrease sometime next year. This is due to the fact that capital outlays during the last few years have been extremely large, and many expansion programs have already been completed.

(3) Family formation during the next few years will be smaller than during the last few years. This trend in turn will have a bearing on the demand for new homes. A decline in home construction may be expected, and this will lead to a decline in the supply of mortgages.

(4) Because of the sharp increase in the productive capacity of the country, the seller's market is bound to come to an end. The buyer's market will reassert itself. Competition will be keen, perhaps keener than ever before.

(5) Exports from the United States are already decreasing, and unless aid to foreign countries is increased, exports during the coming year should be smaller than during the past year. Moreover, since the productive capacity of the European countries has increased, one may expect increased competition in the world's markets.

All these factors combined lead to the conclusion that sometime next year a decline in business activity, similar in character to that which occurred in 1949, may take place. Should this happen, it is bound to have an important bearing on money rates:

(1) The demand for credit and capital should be somewhat smaller.

(2) It is certain that the moment business activity turns downward and unemployment increases, the policy of the Reserve authorities will undergo a change. It will again be the policy of the mone-

*A stenographic report of remarks by Dr. Nadler before the Investment Association of New York, New York City, October 15, 1952.

tary authorities to lower money rates to stimulate a revival of business activity. Whether the Reserve authorities will endeavor to influence the market through open market operations or through lowering the reserve requirements is, of course, impossible to state. Should the authorities choose open market operations, this will not only create additional reserves but also will have a direct bearing on prices of government obligations and hence on prices of all other high-grade bonds.

In this connection the fact should be borne in mind that the monetary authorities are much more sensitive to a decline in business activity than to an increase, and that every effort will be made to prevent moderate decline in business activity from degenerating into a sharp decline.

What the position of the Treasury will be next year is as yet impossible to state. It is fairly certain that in November the Treasury will offer an additional $2½ billion of tax anticipation bills. In the second half of the present fiscal year, that is, from Jan. 1 to June 30, 1953, the Treasury should operate with a surplus. Under these circumstances, the Treasury may not need any new money until the middle of next year. How large the needs of the Treasury will be during 1953-54 will become clear in January, when the new budget will be presented to the Congress. Should the Treasury be operating with a larger deficit than is anticipated at present, one may expect, as in the past, that the Reserve authorities will endeavor to assist the Treasury in obtaining the new money. This will also tend to ease money rates at least during the borrowing period.

While a decline in money rates sometime next year is indicated, the movement of the various segments of the bond market will not be uniform. If the deficit of the government is much smaller than is at present anticipated, then the spread between governments and corporates will widen. Similarly, if the supply of tax-exempt obligations should increase rapidly, it is also quite possible that the spread between tax exempts and high-grade corporate bonds will also widen. No important changes in commodity prices are to be expected during the next few months.

Conclusion

(1) In the immediate future, money rates will remain at approximately their present level. The only change that might occur would be caused by an increase in the prime commercial rate. Should this take place, then all money rates will witness a moderate increase.

(2) So long as business activity remains at the present level, no important downward change in money rates can be expected.

(3) The moment business activity begins to turn downward—and a decline sometime in 1953 is indicated—a lowering of money rates may be expected. The decline, however, will not go to the levels which prevailed prior to the time when government securities were pegged by the Reserve authorities. Not only will the demand for credit continue to be high, because of the high cost of production, but also a return to a policy under which government securities are pegged by the Reserve authorities is not to be expected.

(4) Finally, the flexible open market policy of the Reserve authorities will continue for an indefinite period of time. In the future, assuming no major war, business activity will play a more important role in the policies of the Reserve authorities than the position and the needs of the Treasury.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Spurred by the effort of many producers to fill the backlog of orders accumulated in recent months, total industrial production trended slightly higher in the period ended on Wednesday of last week. It continued to be moderately higher than that of a year ago and remained close to the highest level reached since the close of World War II, but was about 10% below the all-time record set during that conflict.

Claims for unemployment insurance benefits continuing to decline, were at the lowest level in about seven years. In fact, in many parts of the nation the supply of skilled labor was rather scanty.

Steel ingot production last week was placed at 106.5% of capacity, or slightly under the all-time high record reached in the prior week.

This week, states "The Iron Age," a NPA survey of steel expansion by products will probably result in keen disappointment in some government circles. The reason given by this trade paper is that some of the product capacities the government would like to see expanded most are considered least profitable in a peacetime economy.

This survey is based on suspicion that certain steel items sorely needed for defense and defense supporting programs are not being expanded as rapidly as high profit, high demand peacetime items. Among the products in which the government would most like to see capacity boosted are large diameter bars, heavy structual shapes and bearing piles, medium and heavy plates and seamless pipe and tubing.

These products are in extremely short supply now. However, industry expansion plans are based on estimates of demand over the next several years. When put to this test some of these products do not look like good breadwinners, states this trade journal.

Once the basic expansion phase of the defense program is completed demand outlook for these products is not so promising.

Demand for line pipe, heavy plates and structurals is geared to the huge expansion cycle. Once these demands have been satisfied most people in the steel industry see little chance of continuing at present levels. The military take of shell quality bars is already thought to have reached a high plateau. Though oil drilling and transporting needs are high, Iranian losses are already thought to have been offset. New industrial plants, once built, will stand for many years, declares this trade weekly.

Some government sources already recognize the cloudy profit outlook on military items now in very short supply. The NPA survey will probably point to the immediate critical needs and recommend all facilities producing these items be operated at capacity. This might mean channeling some semi-finished steel away from production of items used more extensively in civilian products. Recommendations might also cover better mobilization planning to offset recurring peaks of industrial expansion—especially for defense supporting programs such as freight cars and oil wells, asserts this trade magazine.

Although the steel expansion program is well over half completed, progress is not uniform. Latest reports show blast furnace installations 25% complete, while steel furnace and rolling mill expansion is 65% in place. This means that demand for steel making scrap will continue heavy throughout the winter.

Going into the winter, scrap stocks are in fine shape with a number of mills stocked to the limit of their storage capacity. But record breaking operations will keep plenty of pressure on scrap sources, especially when winter weather tends to curtail collection, concludes this trade authority.

Chrysler Corp.'s return to full production, after its 1953 model changeover program, was the main reason United States auto output last week rose 4% above the previous week.

Chrysler's production rose nearly 100% the past week. The industry assembled 104,391 cars, compared with a revised figure of 99,974 for the previous week, according to "Ward's Automotive Reports." This was a gain of more than 15% from the 89,685 autos made in the like week a year ago.

Overtime and Saturday operations were holding the output of most producers at a high rate, states "Ward's." Chrysler Division is scheduling daily overtime and Saturday work, while all but four assembly plants at Ford and many factories at General Motors are on "extra hour" schedules, said the agency.

"Ward's" predicted car companies would make 1.3 million units in the final quarter, bringing the year's total to 4.4 million. If so, this would exceed the National Production Authority's 1952 allocations by 78,000 despite the recent steel strike. The quota for the fourth quarter is 1,150,000 cars, the above agency asserts.

Soft coal miners' walkouts are expected to shut down more than 80% of the nation's bituminous production following a Wage Stabilization Board decision on the United Mine Workers pay increase. The board voted eight-to-four to slash the $1.90 a day increase won from the operators to $1.50 on the grounds that the full $1.90 would be inflationary. The amount approved was about five-cents an hour above the maximum permitted under the WSB's cost of living regulations. The strike will create no early emergency as stockpiles above ground are enough for 80 days consumption, it is reported. In addition, producers of more than 100 million tons a year, who are non-union or represented by another union, will continue to operate.

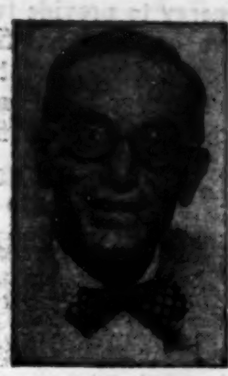
The United States Department of Commerce currently reports that this country's exports in August were 20% below the average for the first six months this year and 15% under the 1951 monthly rate. The August total of $1,070,400,000 was $198 million less than in August, 1951, it notes. While August exports were $54 million

Continued on page 29

Investment Return in Mexico

By A. WILFRED MAY

(Mr. May studied financial and economic matters during a recent visit in Mexico)



A. Wilfred May

In Mexico, land of easy profits, where the average run-of-the-mill enterprise shows earnings of 20%; where the American investor will not even deign to "take a look" for less than an assured 40%; it follows that the return on fixed interest investments also is extraordinarily large.

For example, the interest rate on installment paper covering industrial machinery ranges from 12 to 18% — contrasted with 5 to 9% in the United States. In Mexico first mortgages on real estate customarily carry a 10% rate. Mexican banks, which earned 32% on their capital last year (against 4 to 9% here), get from 8 to 12% on short-term 90-120 day loans on prime grade risks, and from 12 to 15% on paper from the average merchant.

Small wonder is it then that successful distribution of the Mexican savings bonds must include the attraction of a very high yield. This return by way of income yield on their appreciation bond (the counterpart of our Series E) amounts to no less than an average annual yield of 7.1773% during the 10 years to its maturity—contrasted with the 3% offered on our own more advantageous "E" Bonds. Moreover, they are completely exempt from taxation. In addition to carrying the guarantee of the government and the central Bank of Mexico, they are protected by a first mortgage on all the projects financed from the bonds' proceeds. Such proceeds are used exclusively for the construction of self-liquidating projects; and the physical assets of these as well as the income therefrom are pledged as a guarantee of the bonds.

In addition to its appreciation bond, Mexico also has a coupon bond which yields 5% constant (that is, there is no penalty for the holder's redemption before maturity)—contrasted with the 2½% yield-to-maturity on our Series G Bond and the 2.76% on our new Series K Bond. There is also a 6% coupon bond, which is no longer issued, and is purchaseable only in the open market.

There are two forms of bond certificates, bearer and registered.

Lottery Feature

In addition to the relatively high interest return offered, the savings bonds carry the additional "sweetener" of a prize-winning lottery feature. For the purpose of the drawings, the bonds, confined to the appreciation type, are divided into series of $4.000 units numbered from zero to 3999, with one bond being drawn as the winner during each quarter. This winning bond receives a premium of 10 times its purchase price, and continues on outstanding for 39 more quarterly drawings. The aggregate effect of the lottery odds, in contradistinction to the situation in practically every other country where it exists, is to "give the odds" to the bondholder rather than to the government. Thus—contrary to the result in roulette—if one individual bought all the outstanding bonds, the effect would be to *raise* his yield from 7.17 to 7.89%. In Mexico the entire principal is drawn, whereas in Russia and some other countries only the interest is subject to the lottery arrangement.

The lottery feature has been very well received by the public, alleviating the necessity for using high-pressure sales methods.

There is a continuing bond sales program, intelligently run by one of the nation's most progressive young banker-merchants, Sen. Josua Saenz, with the title of managing director of the National Savings Board. Sales are now proceeding at the rate of 15,000,000 pesos ($1,300,000) per month, with redemptions 17% of outstanding bonds.

Business Man's Bookshelf

Business Analysis of the Aviation Industry in Illinois—Richards C. Osborn—Bureau of Economic and Business Research, University of Illinois, Urbana, Ill.—paper—single copies on request; charges for multiple copies carry discounts based on number of copies requested.

China Lob-Lolly — Geraldine Fitch — The Devin-Adair Company, 23 East 26th Street, New York 10, N. Y.—paper—35c (quantity prices on request)

Manufacturing Industries of West Virginia—James H. Thompson—Bureau of Business Research, College of Commerce, West Virginia University, Morgantown, W. Va.—Paper.

Usurpation of Power: Arch Enemy of Individual Liberty—Hamilton A. Long — American Heritage Education Corporation, 514 Walnut Street, Philadelphia 6, Pa. —paper—$1.00 (quantity prices on request)

Present and Prospective Place of Nuclear Energy in Electric Power

By PHILIP SPORN*

President, American Gas and Electric Company

Prominent public utility industrialist doubts economic feasibility of early use of atomic energy to provide fuel for electric power, because of comparative cost factor. Stresses advisability of integrating nuclear power development program with our overall short-term low-cost energy requirements—following pattern of our technology in other fields.

Recently there has been a new optimism about prospects for nuclear power. There is justification for this optimism; but it is important to know exactly what it signifies.

Philip Sporn

At the outset it is necessary to re-emphasize the elementary point that nuclear energy, if and when it can be utilized to produce electric power economically, will merely provide a new form of fuel. It, and the reactor producing it, will thus take the place of the boiler side of a thermal electric generating station. The conventional steam turbines and all the rest of the power system from that point on will still be necessary as at present. What we hope for, therefore, in attempting to perfect nuclear energy is primarily to reduce the cost in one of the elements of power production, namely, fuel. Even though fuel is but one of a number of vital elements, it is of course extremely important. Fuel represents a large portion of the production costs and also of the overall costs of thermal generated power today. And if the more optimistic ideas as to breeding—and associated chemical processes—can be realized, the fuel cost could be reduced by nuclear reactors to perhaps 10% of what is experienced in a conventional steam boiler.

I need to emphasize further that this prospect of a radical cheapening in fuel cost for power through nuclear energy is still only a hope. During recent years there has never been any real question as to the technical or mechanical feasibility of using nuclear energy to provide the fuel for electric power. The only serious question has been, and still is, one of economic feasibility, that is, whether or not nuclear energy could be produced cheaper than conventional power or at least at a comparable cost.

Until a short time ago it was customary to speak of nuclear power stations as something to be expected in a matter of "decades." This has meant that it was not believed that economic feasibility could be realized in a lesser time. It is against the background of these views of the recent past that we need to ascertain the meaning of the new mood of optimism which is currently finding expression.

What does this optimism really reflect insofar as prospects for nuclear power are concerned and in what way does it reject or qualify the views of a little while ago?

First, it reflects the natural satisfaction because a submarine with a nuclear reactor as part of its propulsion equipment will soon be an accomplished fact.

Second, it reflects the fact that substantial and rewarding work is being done looking toward the development of power as a by-product of producing plutonium. In this work a number of highly competent private industrial concerns are actively collaborating with AEC and with one another and they are utilizing some of their most skilled personnel and their own funds in the undertaking.

Finally, the optimism reflects the encouraging experience that the Atomic Energy Commission is beginning to get in connection with the operation of a number of its experimental reactors. These reactors which have only recently been completed, are now being used to increase the scope of our knowledge of a number of important phases of reactor technology.

These developments deserve closer examination to measure their full significance. On June 14 of this year the keel was laid for the first nuclear powered submarine. The hull of this submarine is being built by the Electric Boat Division of General Dynamics Corporation. The reactor power plant is being developed and will be built by the Westinghouse Electric Corporation working jointly with Argonne National Laboratory. In due course the submarine and propulsion equipment with a nuclear power plant will be completed. No one who has been permitted to come into close contact with this project has any doubt that the undertaking will be highly successful. Other projects for the propulsion of submarines and airplanes are currently in progress under the auspices of the Atomic Energy Commission or Defense Department.

There is no material difference between the conventional fuel-powered plant driving a submarine or a carrier and a central station plant of about the same size. If nuclear plants for the propulsion of a submarine are feasible, why is it not possible to use the same kind of plant for the generation of central station power? There is no reason except the matter of economics. It simply is not possible in the present state of technology to design and construct nuclear reactors that would produce a unit of electric energy for commercial purposes at anywhere near the same cost as conventional fuels. Progress with military projects like the submarine are encouraging as concrete demonstrations of achievement and because they can teach us things which may be relevant to ultimate civilian applications of atomic energy. But they cannot be thought of as too closely connected with the problem of civilian application. Electric energy for military craft might be acceptable where the costs ranged from 2 cents even to 1½ dollars per kilowatt hour. In order to begin to be of interest for civilian use competitive with other sources of electric power, costs must be substantially under one cent per kilowatt hour. I am leaving out of account in this talk the perhaps relatively immediate prospects for using nuclear power for civilian purposes in remote areas where conventional fuel is unavailable.

The unsolved problems which make nuclear power so costly are quite technical and I shall merely mention a number of them. There is the metallurgical problem of finding materials capable of standing the high temperatures needed in equipment for the modern thermal system of power generation, while at the same time the material is subject to neutron and other radiation bombardment. There is the problem of heat transfer systems operating under the limitations imposed by high temperatures needed for efficiency, whereas high temperatures may be bad for the safety of the reactor; there is the problem of chemical processing of radiated materials; and there is the problem of disposal of the large quantities of radioactive wastes—fission products — which will accumulate in the course of processing the nuclear fuels. All of these complications add greatly to the difficulties and to the cost of producing heat in a form that can be utilized by the heat engine — a steam turbine or a gas turbine, to name the two most likely mechanical froms of that engine. An evaluation of the final cost of producing a unit of energy, in the light of these complications, leads to the conclusion that under present conditions a plant using nuclear fuel — assuming such fuel could be made available under the pressing military needs of today —will be far more expensive than the same unit of energy produced by conventional fuels—coal or gas or oil.

I mentioned a moment ago the developments looking toward production of power as a byproduct of plutonium. How significant are such developments as a means of bringing cost of power more closely in line with power from conventional sources? Nuclear reactors in producing fissionable material also produce heat. At the Hanford reactors, for example, fissionable material in the form of natural uranium containing a small fraction of U-235 is utilized to produce another fissionable material—plutonium—which is then made into bombs. In that process a great deal of heat is generated. But the heat is rejected to the Columbia River, the primary purpose of the reactor being to produce plutonium. There is right now great military need for more plutonium—evidenced by the tremendous building program at Savannah River and the over $400,000,000 expansion at Hanford. Obviously if it were technically possible to so modify the plutonium reactor operation that the heat now wasted were put to use to generate energy, the net effect might be to get the byproduct power at an attractive cost. This might be accomplished—in a manner familiar to us in ordinary byproduct operations—by using the present cost of plutonium to the government as a base, crediting the whole operation with the full amount of that value and thus obtaining electric power at a cost that would be in line with power produced by conventional fuels; or, one might credit the whole plutonium process with the ordinary commercial value of the heat energy used to produce electric power and thus obtain a material reduction in the cost of producing plutonium.

Plutonium as a Byproduct

In this way, power as a byproduct of plutonium could afford an exciting prospect for early development of nuclear energy on a substantial scale. But this statement of the situation should also make clear that such an operation is likely to remain exceptional—for the reason that it would have to be underwritten by a long-term government guaranty of dubious soundness.

A few words are necessary to explain this conclusion. Feasibility in development along this route depends upon the availability of a continuing market for plutonium

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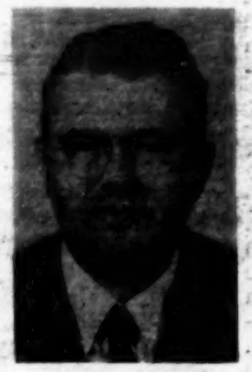
*An address by Mr. Sporn before the Special Conference on Atomic Energy of the National Industrial Conference Board, New York City, Oct. 16, 1952.

Dangers Seen in Financial Disclosures by Candidates

By HAROLD J. KING, Ph.D.

Commenting on current rash of personal financial disclosures by candidates, Dr. King indicates adverse consequences which may stem logically from such practices. Notes recent finding of government investigating body in Sweden.

Recent developments have made the Presidential and Vice-Presidential candidates of both major political parties feel obligated to reveal details concerning their personal finances; or made it appear to them politically expedient that they should so do. At first glance, it may appear more than reasonable to contend that the people have a right to such information. However, it is well worth considering where acceptance of this premise logically leads. For it can not with consistent reasoning be maintained that they have this right, and are not also entitled to know:



Harold J. King

(1) the details of the financial history and status of the candidates for *all* public offices, major and minor;

(2) the names of all contributors (and the amounts donated) to all political parties and election campaigns; and

(3) all details concerning the financing of newspapers, and any other media of communication given to the expression of editorial comment on political issues.

As to (1), it is in the public interest that individuals of high calibre be attracted to public service, and particularly to the top posts. Dignity in public service is one feature which may be used to attract well qualified individuals. And a certain amount of privacy is an essential ingredient of such. Especially is a modicum of privacy in personal financial affairs an essential element of dignity in a society which traditionally (rightly, or wrongly) evaluates personal "worth" more or less in terms of economic status. Greater compensation, and expense allowances, for our governmental leaders may well be in the public interest, so that those not of independent means will not lack the wherewithal to discharge expeditiously and with dignity their proper functions while in office. It certainly would be unfortunate to see adopted the philosophy apparently accepted in some nations that the compensation of public officials should be so low that supplementation by means of graft is required. In any event, anything which seriously narrows the field of high class candidates for public office is not conducive to good government.

As to (2) and (3), it is interesting to note that a government investigating body in Sweden recently concluded that anonymous domestic contributions for the financing of political parties, elections campaigns, and newspapers should not be branded as objectionable, and that legislation requiring the filing of the names of contributors would not safeguard public discussion and opinion, but would actually conflict with the principle of secrecy of the ballot.[1]

Let it be hoped that the actions of the Presidential and Vice-Presidential candidates of 1952 taken more or less "under duress" do not lead to the general acceptance of the premise stated above. For the exercise of the right supposed in the premise, along with those others which stem logically therefrom, could very well lead to the distruction of the form of government which gives political rights to the people.

[1] *Commercial and Financial Chronicle*, Jan. 24, 1952.

U. S. Supreme Court Upholds Otis & Co. in Kaiser-Frazer Suit

High Court refuses to review lower court ruling Cleveland firm was within its rights in breaking contract to underwrite automobile company stock in 1948.

On Oct. 20, the United States Supreme Court refused to review a decision of the U. S. Circuit Court of Appeals, declaring that Otis & Co., investment bankers of Cleveland, O., was within their legal rights when they abrogated a contract to underwrite $10 million of the stock of the Kaiser-Frazer Corporation, manufacturers of automobiles.

The refusal of the Supreme Court to give a hearing to the case means an end to Kaiser-Frazer's effort to collect $3,120,743.51 in damages from Otis & Co. It also establishes the principle that an underwriter may safely break a contract if the issuer's prospectus contains misstatements in violation of the Securities Act of 1933.

The Securities and Exchange Act requires filing of a registration statement and prospectus. The Otis contract with Kaiser-Frazer had as a condition that the prospectus be accurate. The Circuit Court of Appeals for New York held that Kaiser-Frazer's statement of earnings for the month of December and the fourth quarter of 1947 was misleading and that Otis & Co. could therefore legitimately refuse to carry out the contract.

Earlier the United States District Court had held that Kaiser-Frazer was entitled to damages of $3,120,743 for Otis & Company's refusal to buy its securities.

At the first trial of the case both sides charged fraud with Otis & Co. accusing Kaiser-Frazer of filing a false and misleading prospectus with the Securities and Exchange Commission while Kaiser-Frazer charged Otis & Co. had purposely started a stockholders' suit the day the transaction was to be consummated in order to have a basis for nullification of the contract.

Following the trial court's decision in 1950, Kaiser-Frazer sought the liquidation of Otis & Co. But the investment banking firm petitioned the court for permission to reorganize under Section 10 of the National Bankruptcy Act and thus stay in business and permit it to fight the judgment.

The Circuit Court of Appeals, in a decision rendered last April, reversed the District Court's decision, and the case was subsequently carried to the United States Supreme Court.

PUGET STOCKHOLDERS KNOW SIX-DISTRICT PURCHASE BEST FOR THEM!

Not misled, won't be misled by "Last-Ditch," "Frantic" appeals to "Torpedo" District Purchase

The Washington Water Power "hastily cooked-up" merger scheme is not a bona fide offer . . . not a firm offer . . . has not even been approved by Washington Water Power stockholders nor by regulatory commissions!

WOULD YOU EXCHANGE SOMETHING FOR NOTHING? In the Six-District Purchase Offer, you, as a Puget stockholder, have *something:* A real opportunity to get your money out of Puget on an attractive basis.

The Washington Water Power Company "rush act" merger scheme offers you *nothing*–would presently be calamitous. It would bring about what Puget has vigorously fought for years to prevent – the destruction of your property by the condemnation "axe."

SIX-DISTRICTS SAY:

"Sell or be Condemned!"

In a letter dated September 11, 1952, the Six Districts stated, in exceedingly blunt language, that if the stockholders of Puget did not accept their purchase offer, they would immediately proceed with condemnation of Puget's property. (All of Puget's major hydro-plants and about half of its distribution properties are presently under condemnation in 12 separate actions.)

Consequently, before a merger scheme could even get started on the long and tortuous road of obtaining the necessary stockholder and regulatory commission approvals and of surviving the extensive litigation which seems bound to be instituted by public power and other interests, Puget's stockholders would be irreparably damaged and, among other things, the market price of their stock would unquestionably be adversely affected.

GOVERNMENT INVESTIGATION URGED OF SABOTAGE TACTICS. On Monday, a telegram, or copies of it, were sent to members of the Congressional delegation from – and to the Governor of – the State of Washington. The telegram read in part as follows:

Notwithstanding that: (1) the vast majority of the people of Western Washington have through the workings of our democratic processes determined in favor of public power—(2) a large majority of the stockholders of Puget have as of the present declared in favor of the Six-District Purchase proposal—(3) a critical power shortage is right now curtailing industrial production—creating unemployment and otherwise adversely affecting the Pacific Northwest—which situation would be materially improved by the Six-District Purchase—the management of the Washington Water Power Company and a small group of New York investment bankers actuated by purely selfish motives and in utter disregard of the consequences of their acts are apparently attempting in various ways to sabotage the Six-District Purchase.

My concern is that the best interests and the rights of Puget's stockholders, customers and employees be protected. Therefore, I respectfully petition that you cause the appropriate Federal agency (F.T.C., S.E.C., F.P.C. or the Department of Justice) to conduct an investigation to determine the answers to the following questions.

1. The extent to which electric utility companies and certain investment bankers are working with Washington Water Power to sabotage the Six-District Purchase by (a) seeking to prevent the necessary two-thirds stockholder acceptance of the Six-District Purchase offer by confusing, intimidating or coercing Puget's stockholders and others—(b) attempting to block the formation of an underwriting group to finance the Six-District acquisition by the use of the same sort of tactics and (c) instigating any nuisance suits.

2. The extent to which the substantial tax benefits derived from the accelerated amortization of a large part of the cost of Washington Water Power's Cabinet Gorge power development—a rate increase in excess of $1,000,000 per year which has not even yet been authorized by regulatory authorities and other factors of a similar nature have been used to "inflate" or "balloon" the market price of Washington Water Power's common stock so as to make such stock appear attractive to Puget's stockholders as an inducement for the merger scheme.

During the past few months there have been various rumors to the effect that the management of Washington Water Power was "cooking up" some sort of a merger scheme as to Puget for the purpose of sabotaging the proposed Six-District Purchase. Consequently, before submitting the Six-District Purchase offer to stockholders and recommending its acceptance by them, Puget's Board of Directors fully explored the feasibility of a merger with Washington Water Power and concluded that as compared with the Six-District Purchase offer there exists no basis whatsoever for a belief that such a merger could in any event be in the best interests of the stockholders of Puget.

Coming at this late date, with the stockholders' meeting set for October 27, the proposed merger scheme simply confirms the rumors previously referred to and has all the earmarks of a capricious move to throw a "monkey wrench" into the machinery in a last ditch attempt to block the consummation of the Six-District Purchase. Such an eventuality would be calamitous for Puget's stockholders.

WASHINGTON WATER POWER MERGER SCHEME CAN RUIN PUGET STOCKHOLDERS. It is your "ox" which is being gored. It is you – not the stockholders of Washington Water Power – who can presently be ruined by this ill-conceived, ill-timed and ill-fated merger scheme of the Washington Water Power Company.

2/3 OF PUGET COMMON STOCK VOTES IN FAVOR OF SIX-DISTRICT PURCHASE OFFER. Puget stockholders know a good thing when they see it. Notwithstanding the misleading statements issued and the various pressures applied by the proponents of the merger scheme, stockholders' support of the Six-District Purchase Offer is evidenced by the fact that the holders of more than the necessary two-thirds of Puget's common stock have already voted in favor of such purchase. Your own good sense rejects this "booby trap" merger scheme.

And no wonder! The Six-District Purchase Offer, seven years in the making, seems like a miracle. It is a sound, sensible, concrete offer you already well know about. Your Board of Directors, who are trying faithfully to discharge their duties and trustee obligations, *continue to recommend* that you accept the Six-District Purchase Offer.

We are sure Puget stockholders will continue to act intelligently in their own best interests by not revoking any proxies they have sent in and that those who have not as yet voted "FOR" the Six-District Purchase will promptly mail their proxies.

Very sincerely yours,

PUGET SOUND POWER & LIGHT CO.

Frank McLaughlin

President

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Airline Industry—Analysis—of present and future—Goodbody & Co. 115 Broadway, New York 6, N. Y.

Bank Stocks—Bulletin—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Bank Stocks—Comparison and analysis as of Sept. 30 of seventeen New York City bank stocks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Companies which may benefit by modification of Excess Profits Tax—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Insurance Mergers—Bulletin on profit possibilities—Sutro & Co., 407 Montgomery Street, San Francisco 4, Calif.

Local Notes on Kentucky Securities—Bulletin—Bankers Bond Co., Inc., Kentucky Home Life Building, Louisville 2, Ky.

New York Banks and Trust Companies—82nd quarterly comparison — New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

New York City Bank Stocks—Bulletin of comparative figures at Sept. 30, 1952—The First Boston Corporation, 100 Broadway, New York 5, N. Y.

Public Utility Common Stocks—Comparative data for October—G. A. Saxton & Co., Inc, 70 Pine Street, New York 5, N. Y.

Western Oil—Analysis—Ross. Knowles & Co.. 330 Bay Street, Toronto 1, Ont., Canada. In the same bulletin is a brief analysis of Scurry Oils Limited.

* * *

Boeing Airplane Company—Analysis—Dreyfus & Co., 50 Broadway, New York 4, N. Y.

Continental Can—Data in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in same issue is a list of switch suggestions.

James Dole Engineering Co.—Analysis—J. Barth & Co., 404 Montgomery Street, San Francisco 4, Calif.

Allen B. Du Mont Laboratories, Inc.—Comment—Paul H. Davis & Co., 10 South La Salle Street, Chicago 3, Ill. Also available is a brief discussion of **Mail Order Stocks** and of **Southern Railway**, and **Gulf, Mobile & Ohio Railroad.**

General Dynamics Corp.—Analysis—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y. Also available is an analysis of the **Sperry Corporation.**

Grumman Aircraft Engineering Corp.—Memorandum—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y. Also available is a memorandum on **Van Raalte Co.**

Howard Industries, Incorporated—Bulletin—Cole, Roadcap & Associates, 327 South La Salle Street, Chicago 4, Ill.

Ludlow Manufacturing & Sales Co.—Analysis—May & Gannon, Inc., 161 Devonshire Street, Boston 10, Mass. Also available are analyses of **Shatterproof Glass Corp.** and **Tampax, Incorporated.**

Nuclear Instrument & Chemical Corp. — Circular — Republic Investment Company, Inc., 231 South La Salle Street, Chicago 4. Ill.

Pacific Airmotive Corporation—Analysis—Walter C. Kruge & Co., Inc., 50 Broadway, New York 4, N. Y.

Pennsylvania Railroad—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Plomb Tool Co.—Memorandum—Fewel & Co., 453 South Spring Street, Los Angeles 13, Calif.

River Brand Rice Mills, Inc. — Analysis — Eppler, Guerin & Turner, Reserve Loan Life Building, Dallas Texas.

Riverside Cement Co. — Analysis and review of the Cement Industry—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Royal Dutch Petroleum Co.—Memorandum—Emanuel, Deetjen & Co., 120 Broadway, New York 5, N. Y.

Signode Steel Strapping Co.—Memorandum—Ames, Emerich & Co., 105 South La Salle Street, Chicago 3, Ill.

Southeastern Public Service—New circular—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

Technicolor Inc.—Memorandum—White, Weld & Co., 40 Wall Street, New York 5, N. Y.

Thompson Products, Inc.—Data in current bulletin—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y. Also available in the same bulletin are data on **Willys-Overland Motors, Inc., Continental Motors Corp.** and **Sperry Corporation.**

Twin Disc Clutch Company—Analysis—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

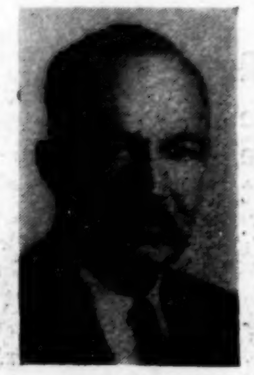
Union Pacific Railroad Company—Bulletin (No. 109)—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. Also available are memoranda on **General Public Utilities Corp.**, and **Skelly Oil Co.**

NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION

The new officers of the National Security Traders Association for 1953 will be Harry L. Arnold, Goldman, Sachs & Co., New York City, President; Phillip J. Clark, Amos C. Sudler & Co., Denver, First Vice-President; James B. Maguire, J. B. Maguire & Co., Inc., Boston, Second Vice-President; John W. Bunn, Stifel, Nicolaus & Company, Incorporated, St. Louis, Secretary, and Lex Jolley, Johnson, Lane, Space & Co., Inc., Atlanta, Treasurer.

Harry L. Arnold



Phillip J. Clark

John W. Bunn

James B. Maguire

Lex Jolley

Winton A. Jackson

Walter G. Mason

Lawrence S. Pulliam

T. M. Wakeley

Newly elected to the Executive Council were Winton A. Jackson, First Southwest Company, Dallas; Walter G. Mason, Scott, Horner & Mason, Lynchburg, Va.; Lawrence S. Pulliam, Weeden & Co., Los Angeles, and Thompson M. Wakeley, A. C. Allyn and Company, Incorporated, Chicago.

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York (STANY) Bowling League standing as of Oct. 16, 1952 are as follows:

Team—	Points
Donadio (Capt.), Demaye, Whiting, O'Connor, Rappa, Seijas	26
Murphy (Capt.), Manson, D. Montanye, O'Mara, Pollack, Gavin	25
Hunter (Capt.), Klein, Weissman, Sullivan, Murphy, Searight	20
Goodman (Capt.), Smith, Valentine, Meyer, Farrell, Brown	19
Serlen (Capt.), Gersten, Krumholz, Rogers, Gold, Young	19
Meyer (Capt.), Kaiser, Swenson, Frankel, Wechsler, Barker	18
Burian (Capt.), G. Montanye, Voccoli, Siegel, Reid, McGovern	15
Leone (Capt.), Greenberg, Tisch, Werkmeister, Leinhard, Lopato	15
Mewing (Capt.), Bradley, Weseman, Hunt, Gronick, Huff	15
Lytle (Capt.), Growney, Craig, Fredericks, Bies, Lyons	14
Krisam (Capt.), Ghegan, Jacobs, Gannon, Cohen, Strauss	13
Bean (Capt.), Frankel, Casper, Nieman, Bass, Krassowich	11

200 Point Club
George Leone 211

5 Point Club
Hoy Meyer

COMING EVENTS

In Investment Field

Oct. 20-23, 1952 (Miami, Fla.)
National Security Traders Association Convention at the Roney Plaza Hotel.

Oct. 23, 1952 (Boston, Mass.)
Boston Investment Club dinner at the Boston Yacht Club.

Oct. 23-24, 1952 (Pinehurst, N. C.)
Securities Dealers of the Carolinas — North Carolina Municipal Council — South Carolina Municipal Committee joint meeting at Mid-Pines Inn.

Oct. 24-27, 1952 (Havana, Cuba)
National Security Traders Association Convention tour.

Oct. 31, 1952-Nov. 2, 1952 (Hot Springs, Va.)
Fall Meeting of Southeastern Group of the Investment Bankers Association of America at The Homestead.

Nov. 19, 1952 (New York City)
Association of Stock Exchange Firms annual meeting and election.

Nov. 30-Dec. 5, 1952 (Hollywood, Fla.)
Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

N. Y. Mun. Bondwomen Educational Meeting

The Municipal Bondwomen's Club of New York will have Albert J. Milloy, Assistant Vice-President of the First Boston Corporation as the guest speaker at the first educational meeting of the 1952-53 year, it was announced by Mrs. Mildred R. Johnson, President of the club. The first meeting is scheduled for Thursday evening, Oct. 30 on the mezzanine floor of Chemical Bank & Trust Company, 30 Broad Street at 5:30 p.m.

Rex Merrick Adds

(Special to THE FINANCIAL CHRONICLE)

SAN MATEO, Calif.—Benjamin F. Howard has joined the staff of Rex Merrick, 22 Second Avenue.

Now With Goodbody Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—William D. Burgan has become connected with Goodbody & Co., 1 North La Salle Street.

With Renyx Field Co.

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La. — Harold W. Dowden, Kermit A. White, and Sanford R. White have joined the staff of Renyx, Field & Co., Inc.

Joins Leo Schoenbrun

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Richard L. Schoenbrun has joined the staff of Leo Schoenbrun, 1385 Westwood Boulevard.

A Glance at the Financial Situation

By JULIAN D. ANTHONY*

President, The Columbian National Life Insurance Company

In reviewing recent changes in the money and investment market, Mr. Anthony calls attention to the impact of rising interest rates on insurance companies. Points out, in addition to receiving a larger return on investment, insurance companies now can be more selective because there are more issues to choose from. Holds, however, changed situation should be viewed realistically and now is time for caution. Discusses desirability of reserves against lower market values.

We are in a period of tightening money and stiffening interest rates. Because intermediate fluctuations are continually occurring, it is never possible at the time to distinguish with certainty a real change in level or direction of rates from the unimportant changes. Only by a backward look can most people distinguish the turning point. Certainly we can all tell at this time that the turning point in interest rates came quite some time ago, probably about two years ago at the beginning of 1950. Now the tightening of money and its effects are very evident.

Julian D. Anthony

At the present time a great many banks are borrowing from their Federal Reserve Bank because of this tightening of money itself, and, in spite of several increases in rate, bankers are now talking about another increase in the prime rate and except it before the end of the year, perhaps even this month. I understand this was a large topic of corridor discussion at the American Bankers Association meeting in Atlantic City last week. In this tightening period, the government has ahead of it the funding of defense spending deficits which will force it to sell new issues of securities. This would of course tighten the market further, provided it is allowed to react without artificial offsets being employed.

Already the Treasury has increased its rate on its Series E Savings Bonds but the change in the rate has not been sufficient to cause any substantial increase in purchase of E Bonds. Mutual savings bank interests rates have been increased, and although partly due to tax reasons, it is an indication of changed conditions and affects the competitive market for savings. The government has had to pay higher rates for the money it has borrowed on its intermediate certificates and notes and last week its 2⅛% rate for 14 months money was the highest rate in 18 years.

New Problems for Financial Officers

To the financial officers of our life insurance companies this has brought new problems—or if the problems aren't new, at least we haven't had these same problems for a long time and they are practically new to a large part of the present crop of financial executives. For nearly two decades until the recent turn occurred, we had become accustomed to sagging interest rates, increased market values, refundings and profits. We now have a different set of conditions and trends, and we've got to dust off some of the old principles that we've had on the shelf.

To the extent that any of us have operated differently, we have now again become long-term investors when we buy a long-term bond. We can no longer expect to make a turn in a security which we don't particularly care for, but which the market might appraise at a higher figure next month. Obviously, underwriters have to bring out securities at more attractive prices. Although there have been instances where large new issues have been underpriced so that they will sell, by and large our problem now is to buy bonds that we are reasonably sure that we want to keep for many years, and we are getting back to the principle that we really do buy securities for the purpose of getting our income each six months when due and our principal at maturity. Many of the securities we are buying today will give us no other choice.

I believe there is hardly an insurance company which does not now have to schedule its bond purchases and commitments because of the tightness of investable funds in the individual company. This is not a great mechanical problem, but it does point up the changed conditions.

Now a Wider Selection of Securities for Insurance Companies

Today we have a much wider selection as to what bonds we will take and what bonds we will pass by. There was a time which all of us who have been in the business for a few years can remember when it was almost a case of buying nearly everything that came along. Far from being bad, the new condition is in my opinion very good for it gives us much more room for choice than we have had, gives us much more room for the play of management, and it will enable us to select some principles of investment which we believe in and carry through a program involving them.

A concomitant result of the increase in interest rate is the widening of the spread between best quality and medium quality bonds. This was brought home to me very clearly about two weeks ago when on the same day the Duquesne Light Company and the Pacific Power and Light Company each sold new issues of first mortgage bonds. The Duquesnes were sold to yield 3⅛%; the Pacific Power and Lights were sold to yield 3.65%. Both were 30-year bonds, but the Duquesnes are rated Aaa by Moody while the Pacific Power and Lights Moody rated BAA. The yield spread was .53%. It just so happens that five years ago in the summer of 1947 both of these two companies sold 30-year bonds and my own company bought some of each of these issues. The Duquesnes at that time were sold at 2.69% and the Pacific Power and Light at 3.10%. That was a spread of .41%. This was not the low point in the spread for in the year 1950, only two years ago, Duquesne sold bonds to the public at a 2.64% return, while only four months earlier, Pacific Power and Light had sold its bonds to yield 2.88%. In other words, that spread of .24% or ¼ of 1% two years ago has now become a spread of .53%, better than ½%. While this is a comparison between bonds of two companies selected for no reason except the coincidence of new issues on the same day, it is in line with Moody's averages of yields for Aaa and BAA bonds.

Higher Rates and Market Values

There is another little result which this change in rate has brought about and which we tend sometimes to look at as a "technical" problem. That is this: the market value of bonds is no longer as great as our book value or our statement value. At the end of 1951 for the 18 major companies used in the series of studies by Jim O'Leary's investment research staff (representing 77% of industry assets), the total market value of all bonds as reported in official schedules was 2.0% less than statement or amortized value. Having in mind that for municipals and many industrials and other securities that are direct placements, book value is used for market value, it is probable that the real market might have been 2½% to 3% less than book. Market value totals for this group of companies today are probably 4 to 5% below book with individual companies above and below this average.

The whole theory of life insurance investment and the principle of amortized value is that market fluctuations due to change in interest rate level are not of great significance for us in our balance sheet accounting. I subscribe to these theories wholeheartedly and without reservations. However, at this time I'd like to raise the question — whether we can disregard this market value deficiency brought about by new conditions. I believe we must consider this fact in making all of our decisions.

Since the Financial Section last met we have had injected into our financial operations an entirely new factor. I should like to comment on this factor very briefly for it is closely intertwined with what I have been talking about. I refer to the Commissioner's new ruling for a security valuation reserve. There are many implications in this ruling for the entire business, and for each company the implication varies depending upon different individual circumstances. I point out that the changed conditions which I have been discussing indicate more than ever the need for this reserve. Some of us think that this reserve is fine; others don't like it and nearly everybody finds fault with the way it is set up and the operation of it. However, I think we should all study this matter even more carefully than we have in the past and should follow the course of developments in the next few months with great care. The Committee on Valuation of Securities formerly headed by Fred Hubbell and now headed by Sherwin Badger, has done an excellent job, and I know they are hard at work at the present time in trying to work out with the insurance commissioners the many problems involved. I am sure they would welcome any suggestions you have and certainly any help which you can give them. We should all recognize that a great step forward has been achieved in the recognition by the insurance commissioners that the valuation problem of life insurance companies is different from the valuation problem of fire and casualty companies.

Let me bring up one more potential problem which the changed status, especially the lower market values, brings. A banker from Pittsburgh who was in my office very recently told me that in his city they had had an interesting experience during the steel strike. The banks lost deposits and apparently in an amount greater than had been anticipated. This required quite a few adjustments to be made and it brought the bankers realistically up to the question of what would happen if the thing that caused deposits to drop should be something other than a temporary strike. Frankly it makes me think of the same question as to life insurance companies and what would happen investmentwise if we did have bad times for a while. I do not say that we have been careless, but I do say that a long period of easy investment conditions and easy money tend to make people forget certain well tested principles or perhaps believe that it is not necessary to be concerned with those principles just then.

I do not wish to be considered a pessimist or a prophet of doom. I am not predicting dire economic conditions. I do listen to others, however, and there are a good many people who are pretty pessimistic. Right here in Chicago, for instance, the individual who is Montgomery Ward, has been expecting a bad depression for some years—although he apparently can't get many of his executives to agree with him. Some day he'll be right. On going through my kitchen 10 days ago, my ear caught a newsbroadcast in which it was reported that a widely known prognosticator had said that the people of this country are running out of purchasing power. No doubt our friend, Carl Flora, this afternoon will have something to say about that.

Time for Caution

But in any event, we must be realists and I believe this is the time for caution. I believe it's the time when we should face up to the changed situation very realistically. We should not only notice that we are getting a larger return on our money, that we don't have as much money as we used to seem to have to invest, and that we can be more selective because there are more issues to choose from, we should also think through just what evidences of our different economic health mean. Then we should decide whether what we were doing two years ago and the way we were doing it two years ago is what we ought to be doing today. Investment management is now more important that it has been for a few years. We can effectively exercise more investment discretion. We should not hold back but should energetically use our opportunities.

*Remarks by Mr. Anthony, as Chairman of the Financial Section of the American Life Convention at 47th Annual Meeting, Chicago, Ill., Oct. 10, 1952.

Chicago Stock Brokers Elect New Officers

CHICAGO, Ill.—At the annual meeting of the Stock Brokers' Associates of Chicago the following officers were elected for the 1953 term:

President, Thomas A. Kavanaugh, Paul H. Davis & Co.; Vice-President, Paul A. Schroeder, Merrill Lynch, Pierce, Fenner & Beane; Secretary, John J. Markham, Hornblower & Weeks; Treasurer, James D. Condrin, Harris, Upham & Co.

Automobile Industry's Role in Business Outlook

By EDWIN G. NOURSE*
Former Chairman, Council of Economic Advisers

Asserting, in this age, auto manufacturers and dealers are a prime factor in determining business trends, Dr. Nourse cautions, however, the auto industry cannot of itself create prosperity, but must be adjusted to other influences in the economy. Says business skies are bright, but finds problems ahead in auto industry, such as: (1) how many new cars can be fed into market; (2) what is financial ability and willingness of public to buy, and (3) will private enterprise be given a chance to restore and maintain a healthy competitive market? Holds much will depend on expansion and improvement of streets, highways and parking facilities.

It would be trite to say that the automobile business outlook for 1953 depends primarily on the general business outlook for the next year—and beyond. There is an old political saying: "As goes Maine, so goes the nation." I think I could make a fairly good case for saying, "As goes the automobile industry, so goes the nation." This is an automotive age, and what the automobile maker and dealer do or fail to do is a very important prime factor in determining whether business, in general, will be running down, or running wild, or running sweetly in a middle area between those two extremes. They do not simply ride on the wave of prosperity that is created by forces outside their own control.

Edwin G. Nourse

At the same time, of course, you of the automobile industry, are not "the whole show." It behooves you to remember that economic life is a two-way street. The automobile industry cannot of itself create prosperous business conditions for the country. While it is a big contributory factor, its own policies and actions, to be economically sound, must be intelligently but vigorously adjusted to other influences in the economy, public as well as private.

Let us therefore take a quick look at the general business outlook which creates the environment within which the automobile dealer must do his thinking and planning for 1953. Having done that, we can "get down to cases" as to factors which peculiarly affect your business.

The Business Skies Are Bright

There is an almost unprecedented degree of unanimity among economists, businessmen, and government officials today that—even if the "wrong" candidate gets elected on Nov. 4—there is a momentum of forces favorable to economic activity which will make for very good business over the next nine months and for pretty good business thereafter. For myself, I have some real misgivings as to what lies beneath the fair surface of this near-term prosperity. I am not altogether sure of our ability or willingness as a people to meet the problems that will confront us as '53 unfolds and develops into '54. But that is beyond the scope of your program today.

For the next few months, we have every prospect of seeing new monthly highs in the FRB index of industrial production and in the nation's totals of gross national product and of disposable personal income. The employment figures showed a new low of unemployment in September of 1.4 million people. That is only 2.3% of the civilian labor force and constitutes inflationary over-employment by any ordinary standards. But it seems possible that we may see an even tighter employment situation when the October report comes out.

As for prices, we hear about new all-time highs every month, but these highs are mostly only fractions of a point or decimals of a per cent, and there is good reason to think that further upward movement will be in the nature of a creep rather than anything like runaway inflation. In 1950 and 1951, I was as loud as anyone in sounding the alarm against the dangers of a final inflationary bust if we did not wake up. Inflationary elements and even dangers are not yet really out of the picture. But the Congress and the country have awakend to the danger—even if the Administration has not. Some safeguarding steps have been taken and, if John L. Lewis and Harry Moses do not upset the apple cart, it looks as though really dangerous inflation may be "contained."

In spite of the unstabilizing effect of the recent coal-wage settlement and the probable consequences of coal and steel price increases, it looks as though we might keep our price structure on a pretty even keel. The inflationary pressure of the Wage "Stimulation" Board and the Office of Price "Stimulation" and of the deficit which is building up during this fiscal year is largely offset by consumer resistance and business caution, along with the competitive pressure of abundant supplies from our expanding and modernized industrial and farm plant.

This stability of prices within a fairly narrow range upward or downward makes a pretty favorable environment for the business manager. I understand that the past year has been one of unusually steady prices in the used-car market, and I take it that all of you who are merchandisers rather than gamblers will be pleased to see a continuation of this situation.

Three Special Factors in the Automobile Market

Coming now to the automobile market, I want to speak briefly of three special issues that seem to me of timely significance. I believe that you would do well to keep your eye on these factors. As new developments occur during the months and years ahead, you can, by pondering their meaning in your individual corner of the market, get all the economic guidance that is possible. They won't give you infallible "tips," but they, along with study of the general factors that I discussed a moment ago will give you a reliable "form sheet."

First, then, is the question of how many new cars can be fed into the automobile market in '53 or annually into the kind of peacetime economy that we seem to be developing. Obviously, the more cars that are poured in at the top, the larger the supply that comes into your hands. In recent years, and still more in recent months, the new car figure has been considerably reduced; in fact, way below the peaks of 1950. A great deal of the blame for these levels has been placed on shortage of materials, and to some extent on price and credit controls as well. It is easy to assume that, if these were removed, the automobile manufacturers could readily go back to the pleasant conditions of a booming market of 6 million or even 6.7 million cars a year.

But in fact the flow of new cars depends not merely on the productive capacity of our factories but also on the absorptive power of the market. There can be little question that, at present production rates of 5 million or less, new car sales are bumping against consumer resistance at the figures to which prices have now been advanced. Personally, I doubt the wisdom of further mark-ups or even the last of those already made. But that, too, is another story, except as your influence can be exerted toward giving the manufacturer a realistic view of car buyers' attitudes on price.

What is perhaps more important or more tangible as a limitation on new car sales beyond the replacement basis is the ability of our highway, street, and parking facilities to handle further increases in total automobile registrations. For the short-run future, the statisticians who estimate the new car market as closer to 5 million cars than to 6 million or even more seem to me to have much the best of the argument.

For the longer run future, the issue here is how fast Federal and State road-building programs can be developed. And how fast and how skillfully can States and municipalities act in constructing streets, opening bottlenecks, providing freeways, and facilitating the provision of adequate off-street parking—municipal, commercial, and private. These programs will furnish the key to the riddle of how much ownership and use of automobiles the public will have the appetite for within the limits of their purchasing power. People will buy cars in proportion to the favorable or unfavorable conditions that exist for using them. To the question how this is to be brought about, I shall return presently.

An Expansible Market

This brings me to my second point. Sales of automobiles, both old and new, depend on the financial ability as well as the willingness or wishfulness of people to have a car—or a second car. From this point of view, where does the most expansible part of the market lie? I think the answer to this question is pretty clear. It lies in better incomes for the lower-paid part of our labor force and in lower prices for new cars—which, of course, permits lower prices for used cars.

I have already said that I question the economic wisdom of some of the latest price increases. It will be argued that wage increases and higher prices for materials make this necessary—that it is an inevitable accompaniment of a period of inflation. But this is only partly true. As I read the statistics, the price of a car in the popular ranges has gone up more than the net incomes of the great middle and working classes where the bulk of the market lies. If, as we like to believe, efficiency, technological and managerial, has been advancing, the opposite should be true. During inflation, it is easy to pass on the costs of inefficiency and even "phantom" costs. Prices closer to income trends can become a reality when we get back to the period of real competition which surely lies ahead of us—a little sooner or a little later. As I said before, you can help in getting this adjustment made by burning in on the manufacturer's mind the existence and the intensity of "consumer resistance."

Now there is one final point on this matter of effective market demand that concerns you particularly as used car dealers. The maximum absorption of new cars depends in no small measure on getting a good return for used cars and even the health of the used car market depends in no small measure on the existence of a good demand among second and third owners. In other words, to exploit to the full the possibilities of this age of individual or family transportation, it is necessary to raise the income of the lower brackets of our workers, rural and urban. The bottleneck of main highways and city streets which was discussed above does not apply in anything like the same degree to these people, many of whom live in small towns and rural areas. There is an enormous field for support of the automobile industry through strengthening of the used-car market by improving the purchasing power of those who are now in our lower wage brackets, who are pressed by the "Southern differential" in contract rates, or who are operating inefficient farm units.

Public Enterprise Too

My third point is that a continuation of a prosperous automobile market within a prosperous economy will be brought about only by giving private enterprise a full chance and also using public enterprise vigorously in its proper sphere. This is a sort of double-barreled issue that is of the utmost practical importance to all of us as citizens as well as to your group as businessmen.

Giving private enterprise a chance to restore and maintain a healthy competitive market calls for the ending of wage, price, and materials controls. I entertain some hope that, whichever candidate wins, these costly, annoying, ineffective, and unnecessary restraints will be liquidated as fast as this can be done in an orderly manner. As merchandisers, it is your function to find the best sources of supply and to find and/or develop the best demand possible and bring them together on as flexible and as economical a basis as you can. This requires that you be given the fullest opportunity for private enterprise within the limits of regulations as to honest dealing and competitive practice that apply to all businessmen. This, in my judgment, is not possible with the dead but unburied controls which still clog the return to the free market which we believe, on the basis of experience, has been a major factor in our national progress.

A free market means a competitive market—that is, an opportunity of the businessman to seek a legitimate profit where he can find it or create it. The smart and nimble boys make a stiff pace for those who are not so good at the business, but they are the ones who really keep the wheels of business turning and the pace of technical and commercial progress brisk. They should not be retarded either by government controls or by "price maintenance" or "fair trade" laws designed to protect the laggards. Accepting competition, however stiff, not running away from it, is the indispensable condition of a high-production economy.

Finally, as to giving public enterprise a chance. Roadbuilding has always been a public enterprise in America, which appreciated the importance of quick and economical communication. The automobile age would have been greatly retarded if the people had not, by taxing and bonding themselves, provided a rapidly expanding hard roads network for the autos and busses and trucks to run on. For the years just ahead, providing the facilities that make the use of more and more automobiles possible, safe, and pleasant requires billions of dollars, most of which will come through tax receipts—Federal, State, and local. We have been pouring billions of dollars into unproductive expenditures of a military build-up and have squandered hundreds of millions on waste in both the military and the civilian programs. We are all demanding a reduction of our tax burdens, and both candidates in their respective ways are promising us that we may expect it. But if the automobile industry is to continue active and prosperous, a substantial slice of any cut in expenditures in these other directions must go into the highway, street, and parking modernization that I have just been speaking of.

Perhaps you will indulge me if I go a little bit afield at this point and suggest that the same principle that applies to the expansion, rebuilding, and general modernization of our street and road facilities applies also in the field of our school facilities. It is a rather shocking thought that in this land of popular education we do not have as good facilities for our children and youth per capita as we had 20 or 30 years ago. These are both responsibilities which devolve peculiarly upon our people in the communities in which they live. And so I think it is good economics as well as good politics (in the best sense of that term) to urge that we levy and control this tax burden as near as possible to the people who are directly affected—that is, municipal, county and State agencies—thus returning from the trend to big government into which we have drifted for the last few decades.

*An address by Dr. Nourse before the National Used Car Dealers Association, Cleveland, O., Oct. 17, 1952.

Maurice McNellis With Barret, Fitch, North

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Maurice McNellis has become associated with Barret, Fitch, North & Co., 1006 Baltimore Avenue, members of the Midwest Stock Exchange. Mr. McNellis was formerly Missouri representative for Zahner & Company.

Alton Gumbiner Joins George K. Baum & Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Alton Gumbiner has become associated with George K. Baum & Company, 1016 Baltimore Avenue. Mr. Gumbiner was formerly resident manager for White & Company, and prior thereto was with McDonald Evans & Co.

Joins Dean Witter Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — William M. Cronin has joined the staff of Dean Witter & Co., Equitable Building.

Partnership Formed

Robert E. Ritchie, Edward J. Harling and Eleanor C. Ritchie have formed the partnership of J. A. Ritchie & Co. with offices at 52 Wall Street, New York City, to continue the investment business of J. A. Ritchie Co., Inc.

F. L. Putman Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Bruce Bowden is now connected with F. L. Putnam & Company, Inc., 77 Franklin Street, members of the Boston Stock Exchange.

"We Must Accept the National Debt as a Permanent Fixture"

By HON. WRIGHT PATMAN*
U. S. Congressman from Texas
Chairman, Subcommittee on Monetary Policy of
Joint Congressional Committee on the Economic Report

Rep. Patman reviews changes in field of finance in last three decades and the impact of closer relationship between banking and government. Repeats recommendations contained in recent report of his Subcommittee, and argues that all banks, regardless of membership in Federal Reserve, should be subject to Federal Reserve requirements. Holds much of inflation in recent years has been due to credit expansion, and holds Federal Reserve should carry National debt, since this debt is to remain permanent.

The years since I last spoke to your group have been eventful ones. In saying that, let me hasten to add that I do not propose to dwell here upon the tragic world situation which involved us in World War II, nor upon the impact that the present Korean incident and cold-war aggression has had on the lives of our citizens.

Wright Patman

Instead, I shall purposely limit myself to some of the questions raised by the impact of these things upon our banking and fiscal problems. I do this partly because of your special interests. I do it, also, because the economic and financial situation is itself important in our struggle against aggression, for inflation has been characterized as the enemy's sixth column. As John Maynard Keynes once observed long before he, himself, had become an enthusiast for currency management:

"Lenin is said to have declared that the best way to destroy the capitalist system was to debauch the currency . . . Lenin was certainly right. There is no subtler, no surer means of overturning the existing basis of society than to debauch the currency. The process engages all the hidden forces of economic law on the side of destruction, and does it in a manner which not one man in a million is able to diagnose."

The role of bankers in preserving the free enterprise system, intimately associated as their activities are with the over-all supply of money and credit, can hardly be better dramatized.

Since I talked to you in 1937, we have witnessed a rise of 90% in the cost of living index or, as some people like to express it, a shrinkage in the purchasing power of the dollar to about half its previous value. In the past 15 years, we have seen the national income rise from $65 billion to an annual rate today of nearly $290 billion. Even at constant prices, that is, even in real, phsical terms, our achievement has been almost incredible; the gross national product of actual goods and services has almost exactly doubled.

Changes in Field of Finance

At the same time, great changes have been going on in the field of finance. The national debt, which many people then thought was about as high as we could manage at $33 billion, is now 8 times that, at around $260 billion. Deposits of all banks in the United States have likewise risen with these other dynamic factors in our economy. They have risen from some $58 billion to more than $182 billion at mid-1952. As a corollary to this rise in bank deposits and in the size of the government debt, the holdings of United States Government obligations by commercial banks have gone from $17.3 billion to $70.8 billion. The force of these and various other events has been to bring the problems of monetary policy and the management of the public debt evermore to the forefront.

The financial crises of 1921 and 1929, coupled with the ineffectiveness of monetary policy in stimulating recovery during the 30's, had seemed for a time to have pushed monetary policy into the background of our thinking as a possible tool to be employed in promoting economic stabilization and growth. In recent years, however, the tremendous wartime increase in the volume of public debt outstanding has had the effect of bringing government and the banking system closer and closer, insofar as their respective actions influence the supply of money and the volume of credit.

Just how close this relationship of government and the banking system is may be suggested by the large extent to which commercial banks today rely for earnings upon obligations of the United States or loans guaranteed or insured by the United States Government. In 1950, the last year for which detailed earnings figures are available, the total current earnings of insured commercial banks amounted to $3.9 billion, while their earnings on what may in one sense be termed substantially riskless government obligations and loans guaranteed or insured by government agencies amounted to $1.3 billion, or one-third of the total earnings. While, of course, the banks had other income and expenses of doing business, this income from government items was just about equivalent to their total net profit before taxes.

Government Responsibility for Economic Stabilization

Since the war, the government has, moreover, in the Employment Act of 1946, recognized and declared its policy and responsibility in such matters as economic stabilization. In response to an almost universal demand, the government has undertaken by that Act to utilize all its own plans, its functions, and resources to create and maintain conditions which will promote maximum employment, production, and purchasing power under the conditions of a free competitive enterprise system. In the furtherance of this aim, monetary policy must become a major tool second only perhaps to fiscal policy, meaning by that taxation and budgetary management.

In the field of budgetary management, the issues seem fairly clear. We must, first of all, maintain the national defense and the national security, and I believe that most people will agree that whatever expenditures are needed to attain those ends must be made. Personally, I have always favored a blanced Federal budget whenever that can be attained without jeopardizing the national security. Our policy must, I feel, be to pay-as-we-go just as large a share of the cost of defense as is possible. Like many other members of the Congress, I have always cast my votes with the objective of a balanced budget in mind. During the last Congress, following the recommendations of the Joint Committee on the Economic Report, of which I am a member, the Congress effected substantial cuts in the budget. Between $7 billion and $10 billion, depending on one's method of reckoning, was cut from the budget in the hope of minimizing the temporary deficit which will be caused by the peak in defense expenditures expected to come in the current fiscal year.

Monetary Policy, Second Only to Fiscal Policy

But I want to talk to you primarily of monetary policy, which, as I have suggested, must become our second major tool in the furtherance of economic stability and growth. Since monetary policy is so important, it is natural that the Congressional Joint Committee on the Economic Report should make an almost continuous study of this subject of general control.

During the past year, as you doubtless know, I was Chairman of a Subcommittee dealing with these questions. The report of our Committee was submitted in the last days of the last session of Congress. In the work of the Subcommittee we consulted numerous experts in banking and business, as well as in government. Some of them we were able to hear in person, but from many others we received testimony in response to specific questions which we asked of them. I am happy to say that in the course of the Subcommittee's work we received the active assistance of well over two hundred practical working bankers throughout the country. Needless to say, their help was extremely valuable and greatly appreciated by all members of our Committee.

I was impressed, as we concluded the taking of testimony, by what a wide area of agreement in the field of monetary policy and debt management we found among students of the subject generally. That is not to say, of course, that there were not substantial areas in which differences of opinion persist among the experts, but these, I think, are only to be expected. The differences only point up the questions to which further study and discussion must be given, in the hope that we can ultimately reach a working agreement which will be the best for the country as a whole.

Bank Reserve Requirements

In this spirit, I would like to discuss with you several of the principal recommendations which our Subcommittee made after study and deliberation. The most important one, and one upon which I have no doubt there will be substantial differences of opinion even among this group, relates to the question of reserve requirements of non-member banks. It was the sense of our Subcommittee, just as it had been that of an earlier Subcommittee headed by Senator Douglas, that all banks which accept demand deposits, including, that is, both member and non-member banks, should be made subject to the same set of reserve requirements. As a corollary, they would, of course, be given equal access to loans at the Federal Reserve banks.

The objection most commonly raised against the single system of reserve requirements comes from those who see in it a threat to the dual banking system, which has become such a traditional part of our American system of commercial banking. I do not find that the fear of this threat makes a very convincing argument, however. Everyone will admit that the extension of deposit insurance to non-member banks by the Banking Act of 1935 made it possible for the banking system better to serve the best interests of the country and has accomplished that at no significant loss of independence to the State-chartered institutions as compared to national institutions. There is, moreover, nothing in the proposal for a single standard of reserves that would alter the charter-granting rights nor the supervisory and examination responsibilities of the State authorities. The really essential elements of the dual banking system would thus be unaltered.

Opposed to this questionable argument that the dual system of banking might be jeopardized, there is the overriding interest of the nation as a whole in the maintenance of sound economic and monetary conditions at all times. If we are to have an effective monetary policy—if we are effectively to control the money supply, as the Constitution directs, and today that means control the volume of credit, it stands to reason that reserve requirements should not be less onerous upon banks in similar circumstances as to size, locality, and such things.

At the present time, about one-half of the banks in the country are not members of the Federal Reserve System. Non-members are smaller on the average than are the member banks and hold only about 15% of the total deposits. Half of the banks in the United States are thus subject to a variety of reserve requirements so varied that they are almost impossible to summarize. In one of your neighboring States there is no statutory reserve requirement at all; at the other extreme are States with percentage requirements at least as high as those prescribed for member banks. The type of assets—vault cash, securities, balances with correspondents—which may be counted as reserves likewise varies widely among the different States. In general, however, the requirements of the State laws are, as you know, probably lower than those required of member banks.

When banks of the two types compete for the same business, this difference in reserve requirements has important national effects. When, for example, the monetary authorities, acting in the national interest, endeavor to restrain the inflationary pressures such as those currently induced by heavy defense expenditures, one group of banks, half of them in terms of numbers, are in a position to get out from under this national policy and to the extent of their extra lending capacity frustrate the national aims.

In order to defend the present discrimination between member and non-member banks as to the requirements for maintaining reserves, one has to argue either (1) that since non-member banks represent only 15% of the total deposits, the proportion is so small that it can be disregarded, or (2) one has to argue that the general credit control function of reserves is not important anyway.

Now, faced with the alternatives of direct price controls or conceivably, as some have advocated,

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*An address by Rep. Patman before the Iowa Bankers Association, Des Moines, Iowa, Oct. 22, 1952.

What of the Business Outlook?

By J. A. LIVINGSTON*

Financial Editor, The Philadelphia "Bulletin"

Commenting on current bearishness of business forecasters, Philadelphia financial writer characterizes forecasting as "art of projecting personal hopes and fears." Says forecasters cannot escape their economic environment. Ascribes present bearishness to fear of let-up in defense spending, but holds "slump won't develop as expected," and "1953 is going to be the year of the Recovery of the Dollar." Lists as deflationary influences: (1) declining commodity prices; (2) probable lower wages; (3) end of housing boom; (4) end of industrial plant expansion; and (5) end of backlog in consumer demand.

For years I've been keeping tabs on economic forecasters. Twice a year I send them questionnaires. It started as a journalistic stunt, but it has become an important sociological document. I now have a running record, year in and year out, of how economists of industrial corporations, labor unions, banks, and government agencies think — how their minds work. Here's an example. In May, 1946, economists were unanimously bullish. You remember the period. Reconversion was going nicely. Forecasts of 8,000,000 unemployed had proved to be unfounded. Everyone was optimistic. Then in September and October came the stock market crash!

J. A. Livingston

Forecasters Are Bearish

In November I sent out my questionnaire as usual. This time the economists were bearish. They expected a postwar depression like 1920-21. It made me wonder. Do economists influence the stock market, or does the stock market influence economists?

Economists for business tended to be exceptionally bearish. They feared the worst. The memory of the deep losses back in the postwar '20s and later in the depression '30s was imbedded in their minds. They were conditioned to fears of depression. And, as I look back, their reaction to the stock market was like a conditioned reflex. They projected their fears of the worst.

Labor economists acted just the opposite. They tended to be the least bearish. For the most part, they were optimistic about prices. The expected rise in the cost of living was their excuse for arguing for higher wages. They were projecting their hopes—as representatives of workers.

So we arrive at a definition: Forecasting is the art or projecting one's personal hopes or fears. After you've made a forecast, you set about compiling evidence to support it. You build up a case like a lawyer. You rationalize your projection.

Furthermore, I have recently checked up on the results of the forecasts in the postwar period. They weren't good. The economists were wrong seven times out of ten!

Do you still want me to make a forecast?

That record isn't quite so bad as it sounds. Offhand, you'd think that economists ought to be right at least half the time. If you flipped a coin you'd do that well by the law of averages.

Actually, however, the chances are not one out of two—not 50-50—but one out of three. When you make a forecast, you have to bear three possibilities in mind:

(1) Business can go up.
(2) It can come down.
(3) It can move sideways.

So you'd need a three-sided coin.

Actually, the economists came out with a percentage of 0.291. They were still below what chance would have done—.333. So it's necessary to try to find out what made them go wrong.

From studying the data, I'd say they went wrong chiefly because they were all too conscious of what happened after 1918. They could not get the 1920-21 depression out of their minds. They were victims of their own expertness, their own profession.

They were so busy crawling on their hands and knees looking under the bed for a postwar bogeyman that they couldn't see good business all around them when they were standing up.

There's another aspect to this. Economists are no different from anyone else. They're caught up by waves of thinking, by fads, you might say. They can no more escape the economic environment they live in than a women can escape a new style. We're all affected by economic faddism.

Economic Faddism

We had a recent instance of this after Korea. Our minds rushed back to what happened after Pearl Harbor. There'd be shortage. Maybe rationing. Prices would go up. Everyone rushed to buy. The government introduced price controls and wage controls. What we forgot was that the war in Korea was limited. We forgot, also, that rearming for a possible war against Russia is entirely different from rearming for an actual war against the Nazis. In one case, we chewed up tanks, guns and ammunition by the boatload. In the other . . .

We're in an arms race with Russia, not at war. And an arms race means something different in the United States from what it means in Russia. To fight a war, Russia must stockpile actual weapons—tanks, guns, planes, ammunition. That's because Russia does not have the great industrial potential of the U. S.

One statistic will help make the point. Russia's steel capacity is about 35,000,000 tons of ingots. This country's at the end of the year, will amount to 115,000,000 to 120,000,000 tons. We have three times Russia's capacity.

This country is not stockpiling weapons. We're stockpiling capacity. We've been building up the plants. We've been installing the machinery to turn out munitions if full-scale war develops.

That's why we haven't had metal shortages. We're not chewing up steel, or copper, or lead so fast as we first thought. That's why we didn't have inflation in 1951.

And this same type of mass reasoning, mass assumption, could lead us into error in forecasting today. The common assumption is that defense spending will level off late in 1953 or in 1954. Dr. Sumner H. Slichter, one of the country's great economists and a provocative thinker, even went so far as to discuss ways and means of checking a depression when defense spending decreased in 1954.

The dominant mode of thought today is that defense is the controlling influence in the business outlook. As defense goes, so goes the country. I question that mode of thought.

So long as national defense was expanding rapidly, it added to payrolls. It built up consumer purchasing power. It encouraged businessmen to expand plant. Not only did they build new plants to make steel, aluminum, and other raw materials, but they increased capacity for manufacturing tanks, guns, and airplanes. They were aided by fast amortization. But defense amounts to only 15% of the total national product.

No Slump Ahead

Further, defense is no longer expanding rapidly. Outlays are running at a rate of about \$48,000,000,000 a year. Maybe they'll go up to \$55,000,000,000. The big gain is behind us. And there's no telling what the new Administration will do about expenditures. With all the talk of economy and tax cuts, it's likely that outlays will be restrained rather than stimulated. Indeed, Russia's latest switchabout suggests that international tension will relax, that we'll feel more secure and less anxious to build up a big stockpile of munitions. We'll even figure to use some plans for civilian products, thus adding to a greatly enlarged peacetime productive capacity.

You've already thought of what I'm going to say. Here is Dr. Slichter suggesting that business will slide off in 1954. Leo Cherne, of the Research Institute of America, has said that the economy will be vulnerable in 18 to 24 months. The Department of Commerce has instituted a study of what to do when defense slides off. Well, I submit that if everybody is looking ahead to a slump in 1954, they're doing something about it. Therefore, the slump won't develop as expected. It's being anticipated. And maybe it's happening now.

In July, we had a steel strike, which was supposed to produce tremendous shortages of steel and finished products. Last week, the president of a steel company said to the publisher of a large newspaper

"When are you planning to start work on your new building?"

The publisher replied: "When the price of steel comes down."

The steel man answered: "You may not have to wait too long."

I predict that 1953 is going to be the year of the Recovery of the Dollar. We're talked so long of the deteriorating dollar, of the 52-cent dollar, and the coming 50-cent dollar. Well, maybe the dollar will go up to 54 cents or 55 cents.

We now have had a 20-month decline in commodity prices. Sensitive commodities have dropped 27%. Industrial raw materials, 30%. Agricultural prices, 19%.

The stock market too has been weak. We've had a market ever since early August of declining tops and bottoms.

Could it be that all this weakness, this lack of confidence, is an anticipation of the decline so many people have been talking about?

Deflationary Influences

As I see it, five important deflationary influences are at work right now. They are:

(1) Declining commodity prices. They cause businessmen to reduce inventories—to buy less. And, I might point out, inventories are not particularly low. They amount to about \$69 billion. That's a drop of only \$1 billion from the post-Korean high.

(2) The decline in commodity prices, especially in food prices, may result in lower wages. These escalator clauses work down as well as up. This may add to deflation, if a deflationary movement sets in.

(3) The housing boom has lost its zing. First, new housing starts are below their record 1950 peak. And new families are not being formed as rapidly as several years ago. We're now reacting to the Great Depression. During the 1930s, there were fewer marriages and fewer births. And, as a result, today we have fewer persons of marriageable age. Hence, fewer marriages. Korea also was a factor. It hastened some marriages. This lower marriage rate is likely to last through 1953, 1954, and 1955. It means a reduced demand for homes, refrigerators, washing machines, furnishing, and the like. But, interestingly enough, it doesn't necessarily mean fewer cribs. People who do get married these days have more children than the husbands and wives of 10 and 20 years ago.

(4) Even more important, industrial plant expansion is probably on the way down. Before Korea, American business was spending about \$18 billion annually on plant and equipment. The defense boom boomed that 50%. This rise in plant expansion suggests a glacier-like force guaranteeing a high level of business activity for months and months. But the very rapidity of the rise is its own warning. Such outlays go down rapidly too, as 1920, '29 and '37 illustrated.

This fact, this possibility, has been concealed by the overall statistics. Plant expansion has been anything but even. Thus, outlays of public utilities and transportation companies have increased only 35%. But outlays of industrial enterprises — manufacturing and mining companies — have doubled. And such outlays constitute more than half of the total expenditures on new plant and equipment.

Here, then, is the volatile element in the business outlook. Here's where the economy is vulnerable. Such an increase in facilities suggests overcapacity, but it also suggests that once a decline starts it could gain momentum rapidly. Here's the record of plant and equipment outlays since Korea:

Type of Outlay	Before Korea	Today	% Change
	—(Billions—		
Industrial	\$7.07	\$14.17	100%
Transportation	2.12	2.76	35
Utilities	3.12	4.20	35
Commercial	6.21	6.79	9
TOTAL	\$18.52	\$27.92	52%

(5) American consumers and businessmen are pretty well caught up in their purchases. They no longer have great gaps in supply. More automobiles are on the road than ever before. People have replaced worn-out washing machines, refrigerators, and vacuum cleaners with postwar models. We'll have to wait for replacement demand to develop.

Thus, it seems to me that disinflationary forces are at work in the middle of a large defense program. And if I had to guess the character of the next decline in business, I would say it would be short and swift—something in between what happened in 1937 and 1949. It would be a shake-out.

But I don't want to leave the impression that deflation is America's lot. That would be to fly in the face of history. Even as I talk, two great resurgent forces are at work in the country. We're headed into a period of mechanization of the home, especially the kitchen. The servant problem is becoming increasingly acute as more and more women, including married women, work in industry. It's significant that more than half the women in industry today are married. They have to find ways to simplify housework. Result: Increased demands for clothes washers, dishwashers, freezers, vacuum clearners. As an incidental commentary, it's amazing that more oranges are used in frozen orange juice than are sold in fruit markets. The housewife wants the easy-to-handle product.

To install dishwasher-and-disposal units in kitchens often requires a complete rehabilitation job. That means major household construction or renovation ahead. Not only that, but the ranch-type house—everything on one floor—to save stair-climbing, has become a major development in residential construction. Builders have found a way to make old homes obsolete. That will create a special demand for homes, especially among older people.

And more important, obsolescence is fast at work in industry. The boom in industrial plant building now reaching a peak is bound to create a secondary wave of building. Companies that haven't got the latest equipment will find, in the buyer's markets to come, that they can't compete on price. They'll have to install up-to-date machinery to stay in business.

What I see ahead isn't a major depression at all. It's a letdown after seven years of almost uninterrupted economic expansion. It's a warning, too: Not to expect what everybody expects. Even as you expect it, you, yourself, and everybody like you are acting to prevent the very things you expect.

*An address by Mr. Livingston at the 58th Annual Convention of the Kentucky Bankers Association, Louisville, Kentucky, Oct. 21, 1952.

Thomas Keegan With du Pont, Homsey Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Thomas S. Keegan has become associated with du Pont, Homsey & Company, 31 Milk Street, members of the New York and Boston Stock Exchanges. Mr. Keegan was formerly President of Investment Research Corporation of Boston.

S. C. Reynolds Jr. Is With Blair, Rollins

Blair, Rollins & Co., Incorporated, 44 Wall Street, New York City, investment bankers, announced that Stephen C. Reynolds, Jr. has become associated with the New York office of the firm. Mr. Reynolds was formerly with Lebenthal & Co., and prior thereto with Drexel & Co.

Bache & Co. to Admit New Partners

Bache & Co., 36 Wall Street, New York City, members of the New York Stock Exchange, on Nov. 1 will admit Gustavo Ajo, Alfred B. Averell, Edward I. Du Moulin, and Robert C. Hall to partnership in the firm. Mr. Averell is manager of the bond trading department.

Joins McGee Staff

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — William A. Baker is now affiliated with McGhee & Company, 2587 East 55th Street.

Edward W. Spitz Opens

HASTINGS-ON-HUDSON, N.Y. —Edward W. Spitz is engaging in the securities business from offices at 737 Broadway.

With Slayton & Co.

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—S. Giardina, Jr., is now connected with Slayton & Company, Inc., 1803 Broadway.

To Invest Abroad—We Must Make It Easy to Invest at Home

By G. KEITH FUNSTON*

President of the New York Stock Exchange

N. Y. Stock Exchange executive, asserting, if we are to invest abroad, we must first make it easier to invest at home, points to domestic investment curbs, such as the Capital Gains Tax and excessive high margin rates. Calls attention to large degree of risk involved in foreign investments, and says ability of this nation to invest abroad depends both on state of our own economic health and availability of risk capital. Points to American companies operating abroad, whose shares are listed on New York Stock Exchange.

There is little doubt that there are many areas in the world which have almost incalculable capital requirements. And for me there is little doubt that it is fitting that private American money should contribute to filling that capital vacuum — not, let me stress, through any motives of altruism — but simply because foreign investment can be a profitable operation. True, the by-products of such investments may be of great significance to our own economy and to the nation in which funds are invested but, the fundamental and motivating truth is that investment by the general public is undertaken primarily as a means of gaining income or increasing capital.

G. Keith Funston

The ability of this nation to invest abroad any part of its resources, the resources of its citizens, depends in the last analysis on the state of our own domestic economic health and on the availability of funds for venture capital. Never in history has world prosperity, world freedom, been linked so closely and directly with the freedom and prosperity of any single nation. That is a responsibility which we must meet with pride, with humility — and with determination.

Invest First at Home

Let me put it this way: If we are to invest abroad, we must invest first at home. To make it easy to invest abroad, we must first make it easy to invest at home. I need no more than remind you that this country was discovered, its frontiers pushed to the Pacific, its riches exploited, by investment or speculation, whichever you want to emphasize. I see no essential difference between them. Today we are in greater need of funds for investment-speculation than ever before. Ours is not a static economy; it never has been, and I hope fervently it never will be.

Just to give you an idea of the capital needs of our domestic economy, the Securities & Exchange Commission and the Department of Commerce reported jointly several weeks ago that American business will spend a record sum of $14.3 billion on new plant and equipment in the second half of 1952—a total outlay of $27.5 billion for this year alone. Ten years ago the total was $6.1 billion. Our domestic need for vast sums of new equity capital is obvious. It would seem to be just as obvious that national policy should demand that everything possible be done to facilitate raising the necessary funds.

What's Needed at Home?

Now, what is being accomplished in this country to encourage raising the money our industries need? Most corporations emerged from World War II with unusually large liquid resources. As this money was used up, it was replaced with earnings retained from several years of record prosperity. Against this background we had and still have the Excess Profits Tax which makes it profitable for corporations to avoid equity financing. Profits after taxes have backed down from the levels of immediate post-war years; there is less to plow back, so business is almost forced to finance itself by going into debt at a truly staggering rate. Today that debt is no problem. But the debt that business contracts today will be around for a long time to come—today is mortgaged and tomorrow is mortgaged. On the other hand, equity capital is not a mortgage; business does not go into debt when it takes in more owners—share owners.

American business must raise more of its capital in a healthier sounder way—in other words, by selling shares in business to an ever-increasing number of investors. Our economy is a mass production operation. Our productive investments must be patterned along the same design—investment of the mass savings of our people.

But we are falling lamentably short of that goal. The recent Brookings Institution Survey of share ownership disclosed that there are 6,500,000 people with a share in publicly-owned corporations. While there has been a heartening increase since the war, the total is still out of line—outrageously so, in my opinion — when compared with our national investment potential.

So we run headlong into another paradox. American industry needs new equity capital. A great mass of liquid savings is in the hands of millions of our people. On the one side, there is a plain deficiency on the other, an evident ability to help satisfy the deficiency. Yet between the two there is a wall.

What has built that wall? Lack of information and misinformation for one thing. For too many people the investment process is still a couple of words descriptive of nothing; for others investment or speculation conjures up unknown perils. The Stock Exchange, the securities industry and business generally have thrown some light on this dark area, but we still have a huge job ahead of us.

Discriminatory Laws

Then there are discriminatory laws and governmental regulations which trace back to the period when it was considered legitimate sport to condemn anything which savored of free enterprise or its motive power, investment and speculation.

The capital gains tax, for instance, is one of the most important single deterrents to a healthy environment for raising equity capital. This is not a law which concerns primarily the man of wealth or the great corporation —77% of the people who take capital gains or losses have incomes of under $10,000 per year. It is a law which penalizes any man who is seeking to better himself by investing money he has earned and on which he has already paid a tax.

Discriminatingly high margin requirements of the Federal Reserve Board also retard the whole investment process. The buyer of shares in industry in America's greatest corporations must pay at least 75% in cash. Doesn't that seem a little out of line when there are no regulations governing the sale of consumer goods such as say, automobiles or refrigerators?

As a result of misinformation and lack of information, and of unsympathetic Federal rules and regulations, the average American has actually been discouraged from investing. The Stock Exchange and industry believe that widespread ownership will bring to each individual owner a deeper sense of participation in the capitalistic business system—just as each man and woman who votes on Nov. 4 will have a keener sense of being a part of government. We at the Exchange are now undergoing one of the most intensive phases of self-examination in our history to strengthen our program in order to make share ownership more attractive to more people.

Now let's take a look at investments in foreign enterprises. Many nations seemingly have gone out of their way to dampen the interest of American citizens in overseas investment. A study made last year by the National Industrial Conference Board listed 22 obstacles to foreign investment —including export or import quotas, limitation of remittance of profits, control of capital movements, multiple exchange rates, discriminatory enforcement of tax laws, and outright expropriation.

There are a handful of notable exceptions. Our neighbor Canada, for example, is a nation friendly to venture capital — a nation which welcomes the investor, the risk taker, the speculator. Canada's tax structure does not include a capital gains tax. Canada does not have excessive margin requirements. Canada does not have an excess profits tax. Canada does give a tax credit on dividends to lessen double taxation of corporate earnings. Canada does give favorable tax consideration to companies exploiting natural resources.

When the average American investor buys a share in one of our own country's enterprises, he is taking a risk—the risk may be small, but it's there nevertheless. And the more the investor can calculate that risk, the better he likes it.

It think it would be unrealistic to expect the average investor, and certainly the new shareowner putting his money to work for the first time, to want to take on the added risk of a direct investment overseas. The potential reward may be very tempting—but with it goes the possibility that he may not see his money again for a long, long time—if at all.

I am perfectly aware, of course, that there are instances of foreign equities entailing less risk than certain domestic situations. And let me make it perfectly clear that I am not saying that American private capital will not flow abroad in large sums in the years to come. Far from it. I surmise that hundreds of thousands of investors will risk their money abroad—but through the ownership of shares in domestic companies with foreign operations.

If Mr. and Mrs. American investor want an investment with a foreign flavor, they can select from the huge number of companies listed on the New York Stock Exchange which are engaged in foreign operations. Those companies are directed and managed by some of the keenest brains in the world. I suspect that when these men see a chance for profitable overseas operations, they'll seek it out—and they'll not risk the investments of their owners without a pretty good chance of getting it back with interest.

A brief paragraph from Comrade Stalin's recent statement on political and economic affairs is pertinent to our discussion. He said: "The chief traits and demands of the basic economic law of contemporary capitalism could be formulated approximately as follows:

"Assurance of maximum capitalist profits by means of exploitation, ruination and impoverishment of a great majority of the population of a given country by means of enslavement and systematic plundering of the peoples of other countries, especially backward countries. Finally, by means of wars and militarization of economy, used by them to secure the highest profits."

Stalin's outworn concept of capitalism seems to fit the Russian economy with extraordinary precision. But the plain fact is that today in America ownership of our productive enterprises is already spread among millions of people and, government willing, we intend to spread ownership among many more millions. And in that concept we have the complete refutation of the Marxian doctrine that capital inevitably concentrates in the hands of a wealthy few at the expense of the proletarian mass.

It is that concept I had in mind when I said earlier that if we are to invest abroad, we must invest first at home—to make it easy to invest abroad, we must first make it easy to invest at home.

*An address by Mr. Funston at the Second Session of the Annual New York "Herald Tribune" Forum, New York City, Oct. 20, 1952.

LETTER TO THE EDITOR:

What Should Be Done to Stimulate The Brokerage Business

Maurice Moes, of Erdman & Company, Members of the New York Stock Exchange, suggests revamping of commission rate structure and change in margin regulations.

Editor, "Commercial and Financial Chronicle":

In an article published in the "Chronicle" on Oct. 9, I was content with merely pointing to the various causes that have created the market we are now witnessing, and that I believe we will continue to have to live with for some time. I called attention to the expanding interest of the various types of institutional buyers with their purchases limited to high grade equities for income and long-term holding. The shrinking speculative use of the market we can lay at the doorstep of high taxes, high margins and an inequitable commission system, plus the ever-growing element of the Mutual Funds.

Maurice N. Moes

If a speculative profit could be made, we American people would be extremely quick to seek it out. Our economic history is a veritable story of speculations. But the incentive and potential gain must be commensurate to the risk. With current tax rates, the businessman in even a moderate tax bracket is loathe to risk for a short-term gain. His speculation, if successful, only adds to his income and thus raises him possibly to a higher paying tax level. A short-term loss is only partially deductible from income, thus percentage-wise his gain is small and his possible loss large. Hence, we in the business find ourselves with a dearth of short-term speculators, who, without attempting to argue the ethical or moral angle of speculation, or its necessity for a liquid market, certainly were an integral part in furnishing commission business, to what we fundamentally are, commission houses.

Today the average client is interested in long-term capital gains so as to benefit from its limited tax liability. A situation is selected for six months or longer. Some positions may be held for years. These may result in a very successful financial gain for the customer, but certainly the remuneration we receive is very limited. Which brings me to what I believe to be an inequitable, unbusiness-like system of commissions.

It is a generally accepted business practice in other industries to give a discount, rebate, or better terms to a volume buyer. A purchaser of 50,000 yards of cloth pays less per yard than the 1,000-yard customer. A jobber taking 100 refrigerators receives a higher discount than the one asking for ten. In our industry the customer buying a thousand shares of a stock pays the same rate per hundred as the 100-share buyer. Why should there not be a commission system whereby the customer giving us the larger share of our revenue be entitled to somewhat better treatment on charges and why not a universally acceptable method of rebate to a customer who may use the market as a speculative short-term trading medium, thus ringing up our register more frequently and profitably. While denying better terms to volume producers, we also perpetrate the additional folly of penalizing small speculators, the odd-lot customer, who did much to assist our volume in the past of active markets. We have succeeded in making the cost so high, at least in terms of his thinking, and we have to put ourselves in his shoes if we are to see his problem, that we have literally driven out the smaller speculator. If our purpose was to cover our costs plus a small profit in making a higher odd-lot scale, we find ourselves in the position of having made a successful operation, but we lost the patient.

I am not discussing the odd-lot charge on transactions, which we must also figure as a cost, but merely the higher rate for doing his business in odd-lots. A 100 shares of a security priced at $20 costs, $20 per 100. For 50 shares it is $13.50. That is a 35% increase over what half of the round lot cost would be. In the mind of the smaller speculator it looms as an unfair and large penalty. He has left our many brokerage offices for other fields, and thus another factor adds to our present smaller volume. If our auction market is to be a broad liquid meeting place, we must do all in our power to increase the volume, and I believe the commission problem one avenue that needs exploring.

I feel that there must be much unspoken support for this line of reasoning. If our survival as a business necessitates a realistic overhauling, lets roll up our sleeves and get to it before there isn't a business to overhaul. If our industry, with its large plant, equipped to handle a very much larger volume than currently available, cannot do the things necessary to attract and give incentive to the public speculative appetite, then we will surely find ourselves in the position of being over-manned and over-expanded for the purely investment business it will become. For many years now the cry has been not enough volume. Taxes, of course, bear the heaviest blame, and under our current economy little help seems available from that direction. But have we not been amiss in our own efforts?

Margin regulations, the function of the Federal Reserve Board, were originally intended to control the amount of credit used in the securities market. It was to be a tool for policing speculative fever. If speculative excesses are noticeable now, I for one, cannot possibly find them. If ever the Federal Reserve Board had an opportunity to live up to its claim of a firm hand in a velvet glove, now is the time. Reduce margins to a more realistic level.

I do not wish to make a case here either for or against Mutual Funds, but I do believe them to be an important contributing factor in the decline of speculative activity. They have succeeded in selling approximately $4 billion worth of their funds to the public. They in turn, invest this ever-growing figure, in the higher quality, more seasoned securities. But, whereas in the past, a part of that huge amount would have been spread out among many member firms, large and small, it is now centralized and channeled into larger orders for a very small amount of firms. The Funds pay a selling commission, plus the placement of sizable orders. But if we are to become Fund agents and order takers we certainly do not need the elaborate brokerage plant of today. So we find that not only have the Funds diverted possible speculation into long-term holding, plus income, but have also localized whatever business they do with member firms.

I believe that the smaller firms, and certainly they are in the numerical majority, have a function and a service that can be performed and merchandized to the public. If they the use intelligent initiative, they can stand on equal terms in selling individual securities and situations as opposed to the Mutual Funds sales philosophy. We either have to make a fight for the survival of our industry or resign ourselves to the fact that there is no economic need for the present form of the securities business. Some things we can attempt to do ourselves, other remedies lie with the government or its agencies and require continual pressures for relief. Instead of wringing our hands and feeling sorry for ourselves, some action must be taken. Any action will be constructive. If we stand still, we go back.

MAURICE MOES,

Erdman & Co.,
120 Broadway,
New York City,
Oct. 20, 1952.

Halsey, Stuart Group Offers Utility Bonds

Halsey, Stuart & Co. Inc. and associates yesterday (Oct. 22) offered $20,000,000 Carolina Power & Light Co. first mortgage bonds, 3½% series due 1982, at 101.305% and accrued interest. The bonds are priced to yield an estimated 3.43%. The group won award of the issue at competitive sale on Monday on a bid of 100.693%.

Net proceeds from the sale will be used by the company to finance part of the construction of new facilities and for other corporate purposes. To meet increasing demands for electric service in its territory, Carolina Power & Light Co. estimates that its construction program from Jan. 1, 1952 through 1954 will cost around $78,000,000. Of the total, it is estimated that $26,000,000 will be expended in 1952; $24,000,00 in 1953 and $28,000,000 in 1954. It is also estimated that of the total amount, $40,000,000 will be spent for additional generating capacity and the balance for transmission and distribution facilities and miscellaneous additions and improvements.

The bonds are redeemable for the improvement fund or for the maintenance and replacement fund, at special redemption prices ranging from 101.31% to par. They are also redeemable the regular way at prices ranging from 104.31% to par.

Carolina Power & Light Co. is engaged in the generation, transmission, distribution and sale to the public of electric energy both at retail and at wholesale in North and South Carolina. It also engages, to a minor extent, in the manufacture and distribution of gas and the distribution of water. The company renders electric service to 216 communities having a population of 500 or more in both states, has approximately 336,000 electric customers, 12,000 gas customers and 3,000 water customers, and the estimated total population served is in excess of two million.

Operating revenues of Carolina Power & Light Co. for the 12 months ended June 30, 1952 aggregated $46,317,414, gross income $9,131,120 and net income $6,588,724.

Investment Bankers Association of America To Hold Forty-first Annual Convention

The 1952 Annual Convention of the Investment Bankers Association of America will be held at the Hollywood Beach Hotel, Hollywood, Fla., beginning on Sunday, Nov. 30, and ending on Friday, Dec. 5.

Joseph T. Johnson

The convention program will follow the pattern of recent years, with a convention session each morning from Monday thru Friday. President Joseph T. Johnson will address the opening session on Monday, and the principal speakers at the subsequent sessions will include:

William McC. Martin, Jr., Chairman of the Board of Governors of the Federal Reserve System.

William A. Patterson, President of United Air Lines.

Carrol M. Shanks, President of The Prudential Insurance Company of America.

In addition to the convention sessions, there will be two or three meetings of the Board of Governors; and most of the national committees of the Association will hold meetings during the convention and will present their annual reports at the convention sessions. An open meeting of the Municipal Securities Committee will be held on Sunday afternoon.

With the exception of that meeting, and possibly one or two other committee meetings, it is not planned to schedule any business sessions in the afternoons. They will be left free for enjoyment of the splendid facilities available for golf, tennis, swimming, fishing and other recreation.

A registration fee will be charged for each delegate and alternate and his wife or other member of his family attending the convention. This fee will be $35 per person. Checks covering registration fees should be made payable to the Association and forwarded to the Chicago office of the Association with the appropriate white form.

All reservations for hotel rooms for the convention must be made through the Chicago office of the Association. In addition to the Hollywood Beach Hotel, arrangements have been made whereby the Hollywood Beach Apartments, Seacrest Manor, the Surf Hotel, and the Town House will also be available if needed to accommodate an overflow attendance. If there is an overflow, as appears likely from the experience of recent years, it will be necessary to limit member organizations to no more than two rooms at the Hollywood Beach Hotel and place their additional representatives at the other hotels. It should be noted that this limitation does not necessarily imply that each member organization will be assured of at least one room at the Hollywood Beach Hotel, as that may not be possible if the attendance is a large one.

Representatives of the Hollywood Beach Hotel will travel on the convention special trains and will furnish passengers with slips indicating their hotel room numbers. These slips will take the place of hotel registration. Slips for the Hollywood Beach Hotel should be presented to the floor clerk on the proper floor of that hotel. Slips for the Hollywood Beach Apartments should be presented at the front desk of the Hollywood Beach Hotel. Slips for Seacrest Manor, the Surf Hotel, and the Town House should be presented at the front desks of those hotels. Room keys will be turned over as slips are presented.

The hotel's representatives will also furnish passengers with baggage tags filled out with their names and hotel room numbers. One of these tags should be attached to each piece of hand baggage. Then, upon arrival in Hollywood all such baggage will be transported immediately from the station by truck and distributed promptly to the proper hotel rooms.

Convention Transportation

Special trains for the convention have been arranged from New York and Chicago to Hollywood and return. In addition, special cars are planned from Cleveland, Detroit, Pittsburgh and St. Louis.

New York Special Train—Pullman reservations for the going trip should be made through the New York Transportation Committee, of which John W. Dayton, Jr., Clark, Dodge & Co., 61 Wall Street, New York 5, N. Y., is Chairman.

Pittsburgh Special Car—This car will be operated via the Pennsylvania Railroad from Pittsburgh to Washington, where it will be attached to the New York special train. Pullman reservations for the going trip should be made through A. Lowrie Applegate, Geo. G. Applegate & Co., Commonwealth Bldg., Pittsburgh 22, Pa.

Chicago Special Train—Reservations for the going trip (with the exception of the Cleveland, Detroit, and St. Louis special cars) should be made through Robert A. Podesta, Cruttenden & Co., 209 So. La Salle Street, Chicago 4, Ill.

Cleveland Special Car—Reservations for the going trip should be made through Russell H. Metzner, Central National Bank of Cleveland, 123 W. Prospect Ave, Cleveland 1, O.

Detroit Special Car—Reservations for the going trip should be made through Ralph Fordon, Fordon, Aldinger & Co., Penobscot Bldg., Detroit 26, Mich.

St. Louis Special Cars—Reservations for the going trip should be made through Harry Theis, Albelt Theis & Sons, Inc., 314 N. Fourth Street, St. Louis 2, Mo.

Air Transportation — Special section flights have been arranged between New York and Miami via Eastern Air Lines. Reservations for the special section flights should be made through Harold H. Sherburne, Bacon, Whipple & Co., 1 Wall Street, New York 5, N. Y.

Return Train Arrangements—Return Pullman reservations should be made at Hollywood. Representatives of the railroads will be at the Hollywood Beach Hotel throughout the convention to handle such reservations.

Chicago Analysts to Hear at Luncheon

CHICAGO, Ill.—W. A. Patterson, President, and Curtis Barkes, Vice-President, of United Airlines, will address the luncheon meeting of the Investment Analysts Society to be held Oct. 23 in the Georgian Room of Carson Pirie Scott & Co.

Boye & Heine Formed In New York City

William E. Boye, member of the New York Stock Exchange, and Max L. Heine are forming Boye & Heine with offices at 1 Wall Street, New York City. Both were formerly partners in L. J. Marquis & Co.

The Great Mistake of Karl Marx

By BENJAMIN F. FAIRLESS*
President and Chairman of Board
United States Steel Corporation

Asserting there is more real and direct public ownership of important industries in U. S. than in Socialist countries, leading steel executive points out Americans can buy capital stock of any corporation they want to own. Says great mistake of Marx was his belief that "government ownership" and "public ownership" are same, and denies workers in Russia or in nationalized industries of Britain own the tools of production, holding they merely "change bosses." Reveals U. S. Steel Corporation workers could own the corporation at an average cost of less than $3,500 a worker. Advocates wider ownership of big corporations.

Today, we are told that about 95% of all the work which is done in our manufacturing industries is performed by mechanical energy, while a little less than 5% is the product of human effort. So the present-day worker—with our modern machines—is now able to produce about 20 times as much as he could have turned out if he—like the Indians—were still forced to depend on his physical strength alone. And his standard of living has flourished accordingly, for we are also told that the real hourly earnings of the average worker have risen, over the years, in direct proportion to the increased sums invested in the productive tools that he uses.

Benjamin F. Fairless

Yet these self-same tools of production, which have brought the wealth of America to the workers and consumers of America, have now become the storm-center of a world-wide controversy that threatens to destroy our whole civilization. They have become what I think is clearly the most explosive political issue of our times—an issue which has brought millions of people to slavery, thousands of men to their death on the battlefield, and dozens of nations to their economic knees.

And it is this issue—the ownership of the facilities of production—that I should like to discuss with you at this meeting.

Back in the days of William Penn, the tools that a worker employed were simple and cheap, and he owned them himself as a rule, but today they have become so complex and so expensive that in many of our major industries it takes tens upon tens of thousands of dollars to provide the machines and materials that a single worker uses. And since no individual has that kind of money — even in America—it requires the combined savings of millions of our people, in all walks of life, to supply the productive facilities upon which our industrial workers depend.

Thus, over the centuries our whole national economy has become deeply rooted in what is known as the "capitalistic system"—not the monopolistic variety of capitalism which has existed so widely in Europe, but a peculiarly American brand of highly-competitive capitalism which we like to call free enterprise.

The "Communist Manifesto"

About a hundred years ago, however—when our American enterprise system was just beginning to provide our people with all the luxuries which have now become so commonplace in their daily lives — two very brilliant and highly educated men named Marx and Engels published in Europe, a document which has inflamed the minds of greedy men in every corner of the earth. They called this document a "Communist Manifesto"; and it has become the Unholy Bible of the Socialist's religion.

Briefly, Marx argued that workers would never be free until they themselves, owned the facilities of production. He declared that they could only acquire this ownership through revolution; and to foster that revolution, he preached the doctrine of class hatred. He saw workers and owners as natural and eternal enemies. And so, more than a century ago, he started the "Hate-Your-Boss" campaign which persists to this day—even in America, unhappily.

But in developing this theory, Marx made one fatal mistake which has spread misery and suffering all over the world: he thought that public ownership and government ownership were one and the same thing. And, of course, they aren't. They are poles apart, as millions of wretched people have discovered to their sorrow.

The workers in Russia had their revolution, but they do not own the tools of production. The State owns the tools; the Commissars own the workers; and the workers own nothing at all.

Then the workers in England had their revolution, too—a quiet little revolution which was fought with ballots instead of bullets, but which placed Labor in absolute control of the government for six years. And during this time the government—acting in the name of Labor—took over virtually all of the key industries in Britain; but still the men who worked in the coal mines, in the steel mills and on the railroads did not own the tools of production.

The government owned them; and while Labor in turn, owned the government—after a fashion—the men themselves soon found that they had merely traded one set of bosses for another. Instead of taking orders from the former owners of these enterprises, the workers now took their orders from the bureaucrats; and the very first thing that these bureaucrats tried to do was to show a profit on these State-owned operations. To that end they raised prices substantially, and repeatedly; and they resisted wage increases with a determination and force that government alone can command.

To this day the pay of the British steelworker is only about one-third as much as is paid to the average worker in our American steel mills; and now a disillusioned England has turned its back on the Marxist philosophy and is trying hard to unscramble its Socialist omelet.

So if I may resort, on this occasion, to a very low and revolting pun, I should say that, clearly, Marx did not know all the Engels. In his thirst for revolution, he overlooked completely the only economic system on earth under which it is possible for the workers themselves to own, to control, and to manage directly the facilities of production. And shocking as the news may be to the disciples of Karl Marx, that system is Capitalism!

We Have Real and Direct Public Ownership

Yes, my friends, the truth is that here in America we have real and direct Public Ownership of our biggest and most important industries. That ownership is sold daily, in little pieces, on the stock market. It is constantly changing hands; and if the workers of this country truly wish to own the tools of production, they can do so very simply.

They do not have to seize the government by force of arms. They do not even have to win an election. All in the world they have to do is to buy, in the open market, the capital stock of the corporation they want to own—just as millions of other Americans have been doing for many decades. So why should they do it the hard way?

Now I imagine that some of you may be saying: "Oh, that's all very good in theory; but of course it isn't possible in practice. No group of workers could ever purchase the great multi-billion dollar corporations that we have today."

Well, Ladies and Gentlemen, the other day I took out a pencil and paper and did a little simple arithmetic, the results of which may be as amazing to you as they were to me. Perhaps some of you may even find them a little disturbing. But nevertheless, the fact remains that, at today's market prices, the employees of U. S. Steel could buy every share of the outstanding common stock of the Corporation just as easily and just as cheaply as they can purchase a moderately good automobile.

It seems unbelievable, but it is quite true. We have approximately 300,000 employees. That is not just steelworkers, of course. It is all our workers — including me. And together, they could buy all the common stock of the Corporation by purchasing just 87 shares apiece. At today's prices, those 87 shares would cost them a total of less than $3,500. And at today's wages the average steelworker earns that much in approximately 10 months.

By investing $10 a week apiece —which is about what our steelworkers gained in the recent wage increase—the employees of U. S. Steel could buy all of the outstanding common stock in less than seven years; and—except for the relatively small fixed sum that is paid in dividends on the preferred stock—our workers would then be entitled to receive all of those so-called "bloated profits" they have heard so much about. But here, I'm afraid, they would be in for a disappointing surprise. At current rates, the total dividend on their 87 shares would amount to only $261 a year.

But in order to control U. S. Steel, these workers would not even have to purchase 87 shares apiece. Sixty-two shares of common stock would give them a voting majority in the Corporation's affairs. That would cost them less than $2,500, at the present market; and an investment of only $5 a week would turn the trick in less than 10 years. Then they could elect their own Board of Directors, fire the present management, put Phil Murray in my job, if they wished, and run the business to suit themselves.

True Bosses Are the Customers

Before they become too overjoyed at this prospect, however, I think they should be warned that they still would not be their own bosses, of course, for the true bosses of every American business are its customers, and unless those customers are satisfied as to the quality, quantity and the price of the product, there will be no business and there will be no jobs. But as long as the new owners of the company could keep the customers happy, they could run the show exactly as they pleased.

Now perhaps I should make it perfectly clear at this point that I am NOT advocating that our employees go out and buy control of United States Steel. I don't think that would be good either for the workers or the Company; and from the standpoint of the national interest, I think it is far better that our key industries should be owned—as they now are—by a broad and representative cross-section of the whole American public . . . by the workers in many different fields of enterprise, by the consumers of all kinds of products, by school teachers, and businessmen, and widows and pensioners—in short, by the average American.

But still I can't help thinking how interesting it might be if our workers did own the Company—if each of them went out and bought his 87 shares of common stock, and if Phil Murray were in my shoes over there in the office on William Penn Place.

Boy, oh boy! What a soft job he would have!

In the first place, of course, there would be no walkouts to worry about, because after all, how can an owner go out on strike? Why hundreds of lawyers in Washington would go crazy trying to figure out whether the workers were striking against themselves as owners, or whether the owners were locking themselves out as workers!

Then there would be that happy day when a delegation from the mills walked into the office of the new president of the company. I can hear the spokesman saying:

"Phil, the boys want a little raise—about the same as they got from Ben last time — let's say about $500 a year as a starter."

And Phil, of course, would reply:

"Why sure, sure. Give the boys whatever they want. All they've got to do is pay it to themselves."

Then he would grab his hat, and go out for a quiet afternoon. Ah, yes, I'd like that kind of a deal myself.

But I feel a little sorry for Dave McDonald when — as the new Treasurer of the Corporation — he starts going over the books with the boys to find out where the next raise is coming from.

Now Dave is a very persuasive fellow, and perhaps he could convince those hard-headed delegates that they can pay themselves a $500 wage increase out of the $261 they get in dividends. But if he's as smart as I think he is, he probably won't mention the subject at all, because way back in my mind there lurks the horrible suspicion that the boys are not going to be too happy about the size of those dividends in the first place.

Being logical men, they are going to expect, I think, that their dividend should increase along with the cost of living, just as their wages do. And who can blame them for that!

Then too, they are going to discover that — as owners of the company—they are getting only a part of the profits, and that the rest of these so-called profits are being reinvested in the business to maintain and expand production, to give the nation the steel that it needs to make their own jobs more secure, and to create new jobs for the rising generation.

Now as patriotic, far-sighted Americans, the boys will doubtless approve that practice; but since the money that is being reinvested each year really belongs to them, they will have a right to demand a return on this new investment. They will also have a right to expect that the market value of

Continued on page 42

*An address by Mr. Fairless at the 35th Annual Meeting of the Pennsylvania State Chamber of Commerce, Pittsburgh, Pa., Oct. 22, 1952.

Unification of Europe and The Atlantic Community

By AMBASSADOR WILLIAM H. DRAPER, JR.*
United States Special Representative in Europe

Ambassador Draper warns despite great strides made, United States has not frankly faced need for sound businesslike economic foundations within Atlantic community. Maintains that behind a Chinese Wall of customs barriers, instead of needed trade we have been shoring-up our friends with grants-in-aid. Calls on Europe to produce more, for us to buy more.

Powerful forces are driving the countries of the Western World to change the political patterns of centuries and to move toward new forms of association. Aggressive dictatorship in this 20th Century leaves free peoples of the West only this choice: Unity in freedom or unity in slavery. We are choosing unity in freedom.

William H. Draper, Jr.

Within the past few months events have been taking place in Europe which will stand out sharply in the perspective of history. Six nations in the heart of Continental Europe have taken important steps toward the merger of their sovereignties in a single Community. On a broader front we have just witnessed a great surge of activity by the 16 nations in the Council of Europe. In Paris, the Organization for European Economic Cooperation continues its vital work directed toward creating a single market in Europe that is both wide and deep.

The European Coal and Steel Community—the so-called Schuman Plan—merging the basic resources of six countries, has come into being.

Other important European projects are in the wind. A new spirit is growing in Europe today—a European spirit—and with it the hope that adequate security, economic well-being and a life of dignity, so uncertain on a national scale, can be found in a wider context.

The pressures and incentives that favor European unification are plain:

Clearly, the free countries of Europe are in danger, if separate, of falling one by one under Soviet domination.

German Threat

But the Soviet threat is not the only force driving Western Europe toward unification. Let us not forget, for Europe certainly does not, that nationalist aggression originating in Germany caused two world wars that brought the civilized world to the brink of destruction. During the long agony of World War II there was born a grim determination among people in many countries of Europe, including Germany, that nationalist aggression must never happen again. This determination sustains the statesmen of Continental Western Europe as they fashion an integrated European Army to prevent aggression by one country against the other, while building the defensive strength of all against outside aggression from the East.

Economic and political necessities likewise drive Europe toward unity. Insufficient production and narrow markets; national barriers to commerce, transport, and movement of labor; low productivity—these have hindered its economic progress and its resistance to Communist subversion. It has become increasingly evident to the people of Western Europe that they can survive in freedom and economic decency only with wider groupings of political and economic power, capable not only of solving more of Europe's basic problems without outside aid, but also of playing a more influential role in world affairs.

Today, European unification is no longer a remote ideal but an attainable objective.

It is an attainable objective provided—and to my mind this proviso is crucial — provided the movement toward unity in Europe continues to take place as a part of the growing unity of the Atlantic Community.

If you chart the growth of European institutions in the last few years you have also to chart the growth of the Atlantic Community. And you have to trace initiative, action, and interaction back and forth endlessly across the Atlantic. For European unity has grown only within the framework of a developing Atlantic Community. And European and Atlantic institutions are intertwined and interdependent.

It was General Marshall's initiative in 1947, in response to Europe's manifest need, that called into being the Committee for European Economic Cooperation. In turn, it was the Brussels Pact of 1948 that was the progenitor of the North Atlantic Pact of 1949, and that led directly to the creation of the Council of Europe. It was in the Council of Europe that a European Defense Force was first proposed and debated; but it was a decision of the North Atlantic Council regarding a German defense contribution that called forth the proposal for a European army from Mr. Pleven, then Prime Minister of France. The treaty for a European Defense Community was brought to signature primarily by great European statesmanship, but with the strong encouragement of the United States, as essential to the security and well-being of the Atlantic Community.

It is not by chance that the growth of unity in Western Europe in the past five years has been paralleled by the growth of the Atlantic Community. It is not mere coincidence that Continental Europe has created organs of unity step by step with the commitment of United States, British and Canadian resources and power to the defense and economic well-being of Europe as part of the Atlantic Community.

These parallel developments—toward European unity and toward Atlantic unity—are impelled by the same hopes, fears and pressures:

Soviet imperialism threatens Western Europe, but it threatens no less the United States. And it is clear beyond question that Europe alone, no matter how organized, cannot within the foreseeable future successfully defend itself against Soviet attack. Nor can the United States afford to be without allies. Both Europe and we ourselves need a greater coalition of strength—the Atlantic coalition.

The revival of German or other aggression in Western Europe itself is a danger that the countries there must guard against as must we in the United States. This, at least, we have learned from two world wars in our time. This threat can be partially guarded against by a continental Europe so organized—with national military power and resources so merged—as to make nationalist aggression difficult. But the full guarantee lies in Atlantic Community organization, with European defense forces merged into a NATO army.

Likewise, continental Europe's basic economic and social problems can be partially solved by purely European action to create a single market and to rationalize and expand production over a wider area. But their solution is also dependent upon the tariff rates, foreign investment practices, and raw materials policies of the United States, the United Kingdom and Canada—and upon the level of economic activity in the United States.

It is highly significant, I think, that progress toward greater economic cooperation and integration in Europe in the past five years has been made within the context of large-scale United States economic aid which has relieved external balance of payments difficulties. Long-range progress is likely in the future only if Europe finds means of earning its way in the world, and of assuring a decent standard of living to its people, without large-scale outside aid.

We have made great strides the past two years in strengthening our military defenses. But General Ridgway, the Supreme Commander, has given clear warning that we have not done enough—that we must build greater and greater strength in the face of today's danger. He is right. We must hold to our course. Mutual security must come first.

Chinese Wall of Customs Barriers

But we in the United States have not, as yet, faced frontally and frankly the fact that sound businesslike economic foundations for the Atlantic Community must also be built and maintained. Instead we have kept standing a veritable Chinese Wall of customs barriers and procedures. With too little trade we have been shoring up the community with grants of aid. Neither do I think the other members of the Atlantic Community have faced up to their side of the same problem. In my opinion, Europe must **produce much more**, and we must **buy much more** from Europe. Unless we import more, the existing dollar gap threatens our own export trade and may unfavorably affect our mutual defense effort. We must consider together the longer range economic and social problems of the Atlantic Community—as a Community—and move toward sound solutions and closer association.

If the North Atlantic Treaty nations are to build and maintain common defenses over a long period—military defenses, economic defenses, political defenses—it will be necessary to reach clear understandings, to hammer out common policies, and to reach rapid agreement on the tactics of mobile defense. We are 14 sovereign nations with a common purpose and a common objective. Differences in points of view—and they will of course continue to arise—must and can be resolved in a spirit of mutual good will and of full equality.

Institutional unity in the North Atlantic area is growing today, as we have seen, in several concentric circles: There is the developing Federal structure of the six Continental nations; there is the wider association of Western Europe as a whole, of which the Community of Six is an inescapable part; and there is the still wider Atlantic Community. All are interdependent; each requires for its most effective operation the successful operation of the other. Each, at its level, is capable of solving certain problems. Each is incapable of dealing with problems all across the board. The great challenge to statesmanship in the period ahead is to make certain that the growing unities of the West develop in harmonious relation among themselves and also with the free world as a whole.

Harmony Feared by Kremlin

It is just such unity and harmony in the West that the Kremlin most fears. For more than two weeks we have witnessed the public spectacle of Stalin, Malenkov and others of the Soviet oligarchy sharpening their ideological weapons for a renewed assault upon freedom, and pointing out just where, for fullest effect, the main blows are to delivered.

And where are those most vital spots? Precisely those points at which free peoples are drawing together, and presenting a united front. The tremendous power of the Soviet Empire — its propaganda, its diplomacy, its economy, its world-wide subversive apparatus—is to be concentrated upon disrupting the growing solidarity of the free world, to prevent the unification of Europe and to break up the Atlantic alliance. Stalin predicts our economic collapse. Moreover, he even dares to openly predict that he will not need to attack us because we will attack and destroy each other.

It was not very long ago that Hitler described in "Mein Kampf" the means by which he expected to rise to power in Germany and how he proposed to use that power to dominate the Eurasian Continent. Many people who should have known better persisted, right up to the end, in disbelieving and ignoring his blueprint for power and conquest.

Today, Stalin's plan for action for the period ahead is in print—right before our eyes. We, the free world, can checkmate that plan. Let us, this time, use our knowledge wisely and well. Let our faith grow. Let our progress continue. Let us unite ever more firmly in political, in economic and in military defense.

*An address by Ambassador Draper before the 21st Annual New York "Herald Tribune" Forum, New York City Oct. 20, 1952.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The newly enlarged **William Street Branch of The National City Bank of New York** opened on Oct. 20 in new quarters which have been modernized, air-conditioned and decorated with murals of Old New York. The branch was originally opened at the same address in October 1931. Duncan Dunbar, Manager, has served at the branch since its opening and was appointed its Manager in 1932. Located at No. 130 William Street (once known as "Shoemakers Lane") in the heart of the insurance district, the new quarters are double the size of the previous premises and the walls are decorated with color murals by artist Jeanne de Lanux, depicting lower Manhattan scenes in the 1800s. Among her works are the French Embassy in Washington and the French Room at Barnard College. An Historical Booklet has been issued incident to the opening of the enlarged branch.

* * *

Directors of **Clinton Trust Company of New York** at a regular meeting on Oct. 15, voted to submit to shareholders a proposal to change the presently outstanding 50,000 shares of $20 par value stock into 100,000 shares of stock with a par value of $10 per share, and to issue to shareholders 10,000 additional, shares of the new capital stock in the form of a 10% stock dividend. The actions are subject to the approval of the Superintendent of Banks and to favorable action on the proposal by shareholders at their annual meeting on Jan. 21, next. Distribution of the stock dividend will be made on Feb. 9, to holders of record Jan. 9, on the basis of two newly authorized $10 par value shares for each ten shares of the $20 par value stock held on the record date.

* * *

President Adam Schneider, Jr. announces the election of Philip Billhardt to the Board of Trustees of the **Roosevelt Savings Bank of the City of New York.** Mr. Billhardt is a commission merchant with offices at 82 Beaver Street, New York. He represents Far Eastern shippers of natural rubber and other products of that area. He is a member of the Rubber Trade Association of New York, Inc.; American Spice Trade Association; Commodity Exchange, Inc.; American Indonesian Chamber of Commerce, Inc.; and the Netherlands Chamber of Commerce in the United States, Inc.

* * *

William A. Drisler, Jr., an executive of Cannon Mills, has been elected a Trustee of the **Broadway Savings Bank** in New York City.

* * *

The Chiyoda Bank, Ltd. (formerly **The Mitsubishi Bank, Ltd.**) of **Tokyo, Japan,** announces the opening of its **New York Agency** at 111 Broadway, New York, on Oct. 16. The New York agent of the bank is Toshio Nakamura.

* * *

Martin Alduino, Assistant Cashier of the **Lincoln Savings Bank, of Brooklyn, N. Y.** completed 25 years of service with the bank on October 10. The occasion was recognized at the luncheon tendered to him in the Officers' Dining Room of the bank, when he was presented with a Gold Watch, appropriately inscribed. Fred Honold, the President of Lincoln's 25-Year Club and Alfred Hoercher, Secretary-Treasurer, welcomed the new member into the quarter-century club, which now has 48 members, 14 of whom are retired.

Mr. Alduino was appointed Assistant Manager of Lincoln's Williamsburg office at 12 Graham Avenue, on Sept. 27, 1943 and was subsequently elected Assistant Cashier on Jan. 8, 1947.

* * *

The Peoples National Bank of Brooklyn, N. Y. at a recent meeting declared the usual quarterly dividend of 40 cents payable Nov. 1; also an extra dividend of 40 cents per share on the capital stock payable on the same date, bringing payments for the year to $2.00 per share.

* * *

The First National Bank of Lindenhurst, N. Y. has increased its capital, effective Oct. 8, from $125,000 to $200,000. Of the increase, $12,500 resulted from a stock dividend, while the sale of new stock served to enlarge the capital to the extent of $62,500.

* * *

Bradley Baldwin Gilman has been elected Vice-President and Trust Officer in charge of the Trust Department of the **Worcester County Trust Company, of Worcester, Mass.,** Edward L. Clifford, President, announced on Oct. 14. Mr. Gilman, who was formerly a partner in the law firm of June, Fletcher, Gilman &

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Needed—A New and Long-Term Foreign Policy

By GEORGE A. SLOAN*

Chairman, United States Council of the International Chamber of Commerce

Prominent industrial and financial leader, attacking tentativeness and compromise in our foreign economic policy, asserts this needlessly keeps piling up expense for rearmament, economic and government loans; and absence of proper long-term policies is impairing our export trade and mutual defense. Cites dissatisfaction here because of enormous tax burden, and abroad because of reliance on charity. Calls for increased respect for contractual agreements.

In any discussion of the current international economic situation we can all agree that peace in Europe, in Asia, in Latin America or even here at home will not depend solely on the Kremlin's intentions. It will depend on the rapidity with which free peoples can harness their economic strength and rebuild faith and confidence in themselves. It will depend upon leadership in the United States which will bring unity and understanding that rises above class conflict and special interests.

George A. Sloan

One can only speculate as to what military, political and social consequences the free nations will experience if an economic crisis is permitted to occur. Whether this tendency can be arrested depends not only upon the actions of our friends abroad, but upon our success in the United States in supplanting emergency procedure and agencies with positive international economic policies. Frankly I do not believe our country is sufficiently aroused as to the extreme urgency of this need. In my opinion it is not only important to our economy but also to the military potential and the solvency of Western nations. In the end our success in dealing with it may be the test of whether we are worthy of our greatness.

Compressed between the ever-increasing rise in economic nationalism and the grandiose ideas inherent in government planning, the free world has had little opportunity to bring order out of economic chaos.

In this state of affairs there is always the dangerous tendency for people to lose their self-reliance, to fail to distinguish between the false doctrines and the hard-won fundamental truths, and in the end, to surrender freedom for plausible promises of security. That such surrenders threaten to be irrevocable and to culminate in the very totalitarianism the democratic nations have given so much to avoid could be the historic irony of our time.

Economic Problems an Equal Threat

Our distinguished friend Ambassador Draper has stated eloquently that Europe's economic problems are as much a threat to that continent's stability as the aggressive designs of the Soviet Union. Certainly an economically strong Europe will be a vital factor in maintaining an adequate defense against any possible aggressors. But to keep effective allies, we must formulate a foreign economic policy in the United States which looks beyond the problems of the present and rejects the concept of "just for now."

*A talk by Mr. Sloan before the New York "Herald Tribune" Forum, New York City, Oct. 20, 1952.

The blunt truth is that the United States has been following a policy that keeps piling up the expense for rearmament, for economic aid and government loans—a policy that runs the risk of creating frustration at home and abroad.

Since the end of World War II, the United States has been warding off recurring crises. We have moved from one form of emergency foreign aid program to another and from one agency to another. True, our basic motives have not been challenged nor have we practiced a policy of penny-pinching. But lofty motives and financial grants have not proved substitutes for fundamental analysis and treatment. We have paid a large price and willingly so. But, I submit, our policies have not secured enduring results.

Don't misunderstand me. Temporary relief was needed; the Marshall Plan was essential pump-priming. But as a nation we have been remiss by not accompanying these emergency efforts with a continuing long-range study. We have accomplished little toward the establishment of forward-looking American policy. In the meantime, the prolonged dollar shortage is creating a cleavage between European and American economies, impairing our export trade and endangering mutual defense.

We export annually $5 billion more in goods than we import. As a result, the rest of the free world is unable to pay for those American goods which they vitally need.

American exports are necessary to maintain the free world's economic stability as one major defense against Communism. They are necessary to make the Western rearmament program effective. Drastic reductions in American exports, whether military or non-military, might not only undermine NATO but precipitate the economic collapse of the West for which the Kremlin has been waiting and planning since 1945.

There is growing dissatisfaction in the United States because perennial emergency foreign aid programs contribute to an already enormous tax burden. There is dissatisfaction abroad because many self-respecting peoples do not like to rely indefinitely on outright charity. The dilemma of the United States lies in the fact that despite our good intentions and our contributions we are still faced with serious international economic problems.

I cannot conceive that we must live with this situation from crisis to crisis. At the same time I am unwilling to admit that we are incapable of finding a more lasting solution.

Ugly Restrictionism

Basically, the free world is in its present predicament because of the cumulative effect of restrictionism which is raising its ugly head everywhere. Expropriation of property, nationalization of industry, application of import quotas and imposition of exchange controls have become accepted economic steps.

We live in a period of complicated and hidden import controls, making the exchange of goods more and more difficult. Of course the Korean War, the additional burdens imposed by rearmament and disturbed conditions in raw material markets have helped to aggravate the problem. But the root cause lies far deeper. It lies in the failure of governments to carry through drastic policies of strict domestic financing and internationally to carry through an economic policy of expansion and freedom which the best interests of all their people are demanding. It lies in the lack of statesmanship in facing the problem with understanding and real determination. It lies in "just for now" foreign relations.

While extremely serious, this situation need not become uncontrollable if we in the United States can measure up to our share of the responsibility and our opportunity for leadership.

The free world craves a positive and coherent United States foreign economic policy. What is needed desperately is a revival of international commerce and development of economies abroad to a point where they can improve living standards and provide for their own defense. This, I am sure, is the most hopeful course to lessen the weight of the tremendous appropriations we are now making for the common defense.

The Dollar Gap

An important, but not the only, symptom of the world-wide economic problem is the dollar gap. A solution can be broached from two sides, from the debtor and from the creditor.

For the debtor—for Europe in particular—the basic need is to sell more. To accomplish this, austere credit and tax policies are required so that prices can be held to a level that will attract buyers. Inflation controls must be applied to prevent the debtor from using up at home what he should sell abroad and to discourage the production of nonessential goods for domestic consumption when he needs to earn dollars from the sale of exportable goods.

For the creditor—for the United States in particular—I do not believe the answer is to be found in the extension of additional loans. The pyramiding of loans merely delays the day of reckoning.

Should there be additional outright grants?

Continued economic aid of this nature can be compared with giving charity to the unemployed instead of providing at some point an opportunity to earn their own way.

No—the real answer is not to be found in additional loans or handouts. I am confident it can be found in down-to-earth economic sense.

The economic policies of the free nations must change from restriction to growth and expansion. Import quotas, trading blocs, exchange controls and unsound monetary programs imposed by governments are interfering with effective economic policies. These governments would do well to realize that their interference beyond the level of police action tends to obstruct the flow of goods and services across boundaries, thus preventing increased standards of living. The United States Government should urge these friendly nations to clear the tracks of such obstacles and offer our assistance in this vital task. At the same time, we should recognize our reciprocal obligation by clearing away a lot of debris at home.

Fortunately, some governments in Western Europe are now in the process of clearing the tracks. I am referring to those who favor freer multilateral trade and currency convertibility and who are working patiently to that end. They are pursuing domestic policies whose prime objective is the balance of international payments and solvency in their domestic economy. These governments recognize the need for anti-inflationary measures as a basic condition to success in their goal of achieving currency convertibility. This is not wishful thinking. Convertibility of currency is definitely attainable and our own government should give every encouragement to this new economic spirit.

This situation is closely identified with the need for a coherent overall United States foreign economic policy. It seems to me that our first order of business should be the consolidation of all American foreign economic undertakings under one centralized agency of government—possibly the Department of Commerce. Presently, these activities are scattered over more than a score of United States agencies and an even larger number of international agencies. Under a Cabinet member or an administrator reporting directly to the President, this plan would discourage duplication and waste. It would permit pruning of staffs and administrative budgets. Of greater importance, it should lead to government policy with unified purpose and coordination.

In order to place the balance of payments of friendly nations on a healthy and enduring basis it is imperative that the United States accept more foreign-produced goods. This is in our interests for it will reduce the need for continuing foreign aid. It is also in the interests of international economic stability. It is hardly consistent for the United States to preach trade liberalization to foreign countries year in and year out and then not to make it easier to sell in the American market—so long as such imports do not endanger living standards in American industry and agriculture.

With a crusading fervor we have told the free world for five years that these nations must lower their barriers to free trade and liberalize commerce by remitting tariffs and quotas. We have declared in our national policies that their only salvation is the acceptance of competition and the ending of national restrictions. Meanwhile, we have flinched from facing our share of the responsibility. We have allowed indifference or vague fears that imports may have some possible adverse effect on our own domestic economy to prevent the adoption of effective measures.

If we decide to cut down on the amount of dollars we can give away but are not willing to increase our imports, this must necessarily mean a cut in the volume of goods we sell to foreign countries. Immediately, more than three million American workers employed in export industries will be affected. This in turn would injure the American farmer. Last year foreign markets provided an outlet for over four billion dollars' worth of our farm products—which represents the combined farm income of the states of New York, North Carolina, Indiana and Kansas.

Respect for Agreements

Just as forcefully our foreign policy must stress that the foundation of international understanding and good will lies in universal respect for contractual agreements. Arbitrary confiscation and nationalization of foreign holdings only hinder the flow of private funds for economic development purposes. The capital-importing country must accept its responsibility for creating a favorable climate for industrial development. May I cite the remarkably favorable climate and resultant progress of our good neighbor to the north.

The Point Four program for the improvement of education, health and agriculture in underdeveloped areas is of course important. It cannot, however, stand alone. Up to now, our government's policy leaves the unfortunate impression abroad that government funds will do the necessary job of economic development. The truth is that government funds can never be a substitute for the funds of the private investor.

A Challenge to Leadership

The solution of these complex international economic problems presents a challenge to that leadership for which peace-loving people everywhere are yearning—for that leadership which is capable of guiding people of diverse interests and ideas into agreement and which will undertake this task for the good of our nation and as a bulwark to the free world.

The major objective, I am sure, is the building of world trade in a dynamic economy. This will call for the mobilization of intelligence and courage in and out of government. It will call for the same determination with which we have faced other problems vital to the preservation of our liberties. It is worthy of the best that we can give—in thought and sacrifice.

James K. Miller With Schoellkopf, Hutton

James K. Miller

James K. Miller has become associated with Schoellkopf, Hutton & Pomeroy, Inc., in their New York City office, 63 Wall Street. Mr. Miller will continue to cover the Middle West and South, in addition to working in New York City. He was formerly with The Dominion Securities Corporation for a number of years and prior thereto was with Dillon, Read & Co. and the Illinois Merchants Trust Company of Chicago.

Okla. Met. Oil & Gas Common Stk. Offered

Scott, Khoury & Co., Inc., members of the National Association of Securities Dealers, Inc., New York City, are offering "as a speculation" an issue of 1,132,000 shares of common stock (par 1 cent) of Oklahoma Metropolitan Oil & Gas Corp. at 25 cents per share.

Oklahoma Metropolitan was organized Aug. 20, 1952, in Delaware and has recently purchased the interests of Clint Watters and Pearl G. Watters in five certain leases located in the Munger Pool, Oklahoma County, Okla. It was formed for the purpose of engaging in the business of producing oil and gas. The oil and gas runs as from Sept. 18, 1952 will be credited to the account of the corporation.

The net proceeds from the sale of the shares will be used for the payment of properties and for working capital.

W. A. Buchholz Opens

OKLAHOMA CITY, Okla. — William A. Buchholz is engaging in a securities business from offices at 1010 Northeast 14th Street. He was previously with King Merritt & Co., Inc.

More Stock Owners and Less Business by Government!

By CHARLES E. WILSON*
Former Director of Defense Mobilization
Formerly President, General Electric Company

In calling attention to changed attitudes toward private business, Mr. Wilson points out securities business, though formerly held respectable, is now "a suspect." Accuses Administration of splitting the economy into segments so as to create conflicts and misunderstandings among groups in industry. Holds there has grown up an ugly and powerful dictatorship of labor leaders, and, as result, collective bargaining has gone down the drain. Says we are going down road to Socialism, and have shifted from a competitive to a subsidized economy. Urges wider ownership of corporation stocks, and disposal of government works to private interests.

Campaigning is one thing; *political action* is another. The men of American business, and that certainly includes almost all of us, nave confused the two for far too long. Political action, for individual citizens in an industrial democracy, where the polling places are set up every day of our lives in the marketplace, is the proper sphere of each of us, year in and year out. We have no license to complain of the results and consequences of political action so long as we hold ourselves aloof from it. But in large measure this is what we have been doing. I do not mean to state the fact in such passive terms, because I believe that every man in business, whether that business be manufacturing or banking or farming or teaching, and whether he be the general manager of a company or the newest employee, today has the clear obligation to extend his labors, protect his true interests, and project his reasonable convictions in the field of direct political action. If he does not do so, he is foolish, incompetent, and lazy. If that means contributing funds or working for the election of a candidate, then by all means do that. But it means many other things as well: learning and teaching the basic economics or *arithmetic* of our free markets and free persons; keeping yourself informed of legislative and administrative activity; associating yourself with civic and community undertakings; taking intelligent advantage of opportunities to appear before hearings and committees; soliciting the understanding and support of educational and professional bodies; involving your Representatives and Senators in correspondence so that they will know what you think; in short, becoming a living figure in the daily political scene, so that you have to be reckoned with on the day of wrath.

Charles E. Wilson

Since this has now been converted into a political speech, perhaps I should take on some of the never-failing mannerisms of the political candidates, although I am most certainly not running for office. You may have noticed that it does not matter what State, what large city, or what small tank-town a candidate finds himself in at the moment, he usually begins his remarks by claiming some kinship with the spot. He was born near there, he went to school there, he slept there, or something homely happened to him or his family in that spot which puts it high in his affections and—he hopes—vice versa. For my part, I can only point out that this is my home town. I was born here, went to school and went to work here, and I could tell you things about the sidewalks of New York that never got into any song. I had my share of dreams, but never in the wildest one did I ever dream that I would be addressing the Bond Club. On our side of town there was probably more preoccupation with bail bonds than with the kind you gentlemen handle.

*An address by Mr. Wilson before the Bond Club, New York City, Oct. 16, 1952.

Securities Business Now Held a Suspect

Of course times change, and with them the standards of integrity and respectability. There was a time, I suppose, when to be engaged in the buying and selling of shares or equities in private business was a conservative and respectable undertaking. Today, as you are only too well aware, you constitute one of the special interests which menace the future freedoms of our great country, and what you do is said to be suspect, on rather high authority.

I do not personally subscribe to the belief that this is the true climate in which we must live and do business today. Right now the weather prophets giving out on the climate seem to be more influenced in their prognostications by the weather for tomorrow's picnic than by the proven tools and methods of meteorology. But there can be no doubt that this is a changing climate, and one that will lend itself even further to changes of our own making, if we proceed wisely and truthfully. For example, about a month ago, in the course of some remarks before a luncheon of the New York Commerce and Industry Association, I made a suggestion that had to do with the transferring of government power projects and related operations to newly-formed private companies, with the object of improving their management, widening the real participation of the public, increasing tax revenues, and reducing the public debt. This suggestion attracted a reasonable amount of comment, somewhat to my surprise, as the very same suggestion had been made a couple of times before, a few years ago, and without any one paying much attention to it. I should like to touch upon this idea again before we are finished. I mention it here only as another kind of political action in the economic sphere to which you and I owe some attention.

One of the outstanding facts of economic life of the past decade, perhaps longer, has been the doubling of wages and salaries for a vast number of Americans. This has not alone been true for people in business and industry, because the incomes of those engaged in agriculture have also increased proportionately. About the only groups which have not participated in this widespread increase have been those in public service, such as teachers or municipal employees, where the machinery effecting higher pay is complicated by statutory or legislative proceedings and traditionally suffers a time-lag. But broadly speaking, Americans have doubled their incomes in this period. There are, of course, many footnotes to this phenomenon, such as dollar devaluation, inflation, the questionable character of the devices sometimes employed to bring about the increase, and the fact that similar good fortune has not fallen to the lot of those dependent upon fixed incomes, but for the purposes of this observation the footnotes do not concern us. Likewise the savings of most Americans have increased substantially in recent times, even in the face of vastly higher taxes. Hourly and weekly-paid workers have added substantially to their holdings of government bonds.

Against this development I would like to suggest that a climate has now been created for the achievement of another highly desirable goal in American life. I believe we can advance to the goal of a much wider ownership of industry and commerce, and that this advancement—if we can bring it off—will solve many of the problems which beset us in the fields of government and organized labor.

Here lies, possibly, an effective cure for at least some of the irritating and costly differences between management and labor, and this cure lies in the simple truth that any healthy body does not go out of its way to hurt itself. Here we have been led astray by words, and while this sounds a little like nonsense, these words have been deliberately used to cause disaffection by masters of the art of political rhetoric. If you will think back to the beginnings of the various Deals—New, Fair, and what have you—you must observe that there has been a definite policy on the part of government during the past 20 years to redefine what we mean when we say "industry." To me industry has always meant management *and* employees; the development, manufacture and marketing of goods and services; and the whole process of doing business, including the buildings, the machines, the research, the records, the inventions—and the people. It doesn't really matter what part any man or woman plays under this big top—it all adds up to American industry. There is probably no other concept in American life that so intimately and thoroughly affects the lives and fortunes of almost all of the people as does the doing of some kind of private competitive business. If we have any true minority in our country, it is a minority made up of those people who do *not* depend on business for their existence, their opportunities, and their security, and I believe this minority should be protected. But we have been encouraged to believe that it is not a minority at all. The dominant Washington philosophy for two decades has been to split up this great all-embracing concept of business and industry, to split it up into smaller and smaller segments, and to tighten the bands around each segment and create conflicts and misunderstandings and political and economic issues between and among them. Out of the resulting complex of troubles has been born the lion's share of our present economic difficulties.

I am quite cognizant of the fact that any one who speaks in this vein is immediately dubbed a conservative, a reactionary, and an enemy of the people, and is thrown on the defensive. But he is really a liberal in the true sense. Not the self-styled liberals who have flitted about the American scene during the past decade—who are in fact collectivists. Who aim to make the State the master instead of the servant of the people. It requires a certain amount of courage and logic to stick with this point of view year in and year out. While this ideological battle has been waged—and with considerable success—we had to get on with doing our daily work. We had to fight a big war and a little one. And the very men who should have kept their minds and hearts constant and unwavering have been forced and persuaded into making compromises in order to keep the machinery going. The compromises were practical ones, and probably we could have done nothing else, but it has hurt the cause and made it exceedingly difficult to get back on the right track.

The Status of Organized Labor

We have seen a tremendous improvement take place in the status and power of organized labor. That improvement was inevitable, and it was just. I am sure that intelligent people in professional management have no quarrel with it. But also before our eyes we have seen grow up an ugly and powerful dictatorship of labor leaders who came to power by climbing on the shoulders of the rank and file of those who labor, and then used that power brutally and frankly in their own interest. And remember, that these leaders' dictatorial powers are derived from their influences over approximately 15 million workers whereas the total work force embraces something like 62 million workers. In the face of this power the whole concept of collective bargaining has gone down the drain. It simply does not exist, and neither does the public interest. We have had so many examples of the power of this dictatorship that it is hardly necessary to call any one of them to your attention, but the recent steel strike is one of the finer examples. In his column about a week ago David Lawrence called attention to certain statistical aspects of the steel strike, which resulted from the investigative efforts of Senator Byrd of Virginia. Here they are in summary:

By reason of the steel strike the taxpayers of the United States lost just about a billion dollars. As a consequence of the diminished profits of the steel companies themselves during this period, $601,800,000 of revenue was lost by the United States Treasury. Approximately 60 million dollars was lost to the Government in withholding taxes from steelworkers, which could not be collected because wages were not paid. This does not take into account tax losses to the Treasury from the companies that do not make steel but either transport it or supply raw materials, or from the companies that fabricate steel. And this does not count State taxes. About half of this billion dollar tax loss came *after* the Congress asked the President to use the Taft-Hartley Act. And, as Mr. Lawrence pointed out, Philip Murray made a speech on June 22 saying that the President had committed himself to Mr. Murray in December, 1951, pledging that the Taft-Hartley Act would not be used. You can logically say that this was a victory for Mr. Murray. Perhaps it was also a victory for the Administration in the year of a Presidential election. But by no stretch of the imagination can it be called a victory for the working members of the steelworkers union, for the working members of *any* union, or for the taxpayers and ordinary citizens of the United States. So much for a specific instance of labor dictatorship.

"Down the Road to Socialism"

From force of habit I am almost tempted to apologize to you when I say that in my personal opinion we have progressed far down the road to socialism—simply because we are told so many times every day that this is purely campaign talk. But nevertheless I believe it, and see no reason for any apology. I say this especially in respect to the prerogativess and perquisites of wage earners—the liberal pension systems that have been instituted under pressure, health insurance not only for the worker but for his whole family, free pay for leisure time on holidays, free pay for vacations, and so on. This is a very difficult point to make, because any individual receiving these prerogatives and perquisites naturally thinks they are a fine thing. Even management thinks they are a fine thing. Any one who stood up and talked against them would be drowned out in a mighty chorus. The difficulty lies in the fact that it is not the pensions and insurance and holidays and vacations that are evil, but the methods by which they are arrived at, without regard to the ability of the business to pay for them, with fairness to all the other claimants and with preservation of willingness and ability to save risk, aspire and compete; without regard to sound accounting or actuarial practice, without regard to the fact that if all of these promises are not to be just worthless scraps of paper, the money must come either out of the increased price the consumer pays for the product, or out of the fair returns on investment to which stockholders are certainly entitled for risking their capital. In one direction lies increased inflation and higher living costs, and in the other lies the drying-up of risk capital. And the only "obvious" cure for these conditions, we are continually told, is increased government participation and control. Who can deny, with a shred of logic, that labor's dictatorship is not driving us down the road to socialism? The proof is before our eyes.

One of the most subtle dangers industry faces—and I mean workers as well as management again—is the idea that a man has a vested right in his job, no matter whether he is an old employee or one with a service record of a week. And again, this is a very popular concept with any worker, as well it might be. It is against human nature to refuse a paid-up insurance policy or a right to a substantial pension, and no one stops to think that by the very act of granting the policy the company behind it may be critically injuring its ability to stand behind any such policy. From time immemorial, a man's right to his job has vested primarily in his ability and desire to perform that job well and find ways of doing it better. Industry has never in modern times been reluctant to pay for increased productivity and value, but the minute it signs up to make such payment without any guarantee that the human skill, care and effort earning it will be laid on the line, then trouble lies ahead. We have then shifted from a competitive economy to a subsidized economy—and you know who will pay the subsidy. How high must wages go to satisfy labor's dictators? Would you say it should be 10% a year, indefinitely, with perquisites increasing in the same ratio? That is the path without end which we are now following. And what will the purchasing power of the dollar be in another ten years, on this basis? We are not children. We know the answers to these questions. But it seems as though we are powerless to stop this process which can only bring disaster to all of us.

Broader Ownership of Equities Needed

Perhaps I have spent too long a time over these familiar and unpleasant things, but I meant them primarily as background for what follows. All of these obstacles to a sound dollar and a sound economy may be at least partially overcome, I am convinced, by the expedient of supplying a broader base of ownership of the tools of

production—those which now exist and the many more that are to come. These constitute the heart of our enterprise system in the United States.

Suppose we could sell, by a great variety of plans, our 15 million organized employees an interest in the corporations for which they work, as well as in the corporations whose products and services they purchase? Would not the benefits be tangible and immediate, in employee relations, in productivity, and in making the so-called "demands of labor" more realistic, just and fair? In a small way I have seen this happen already, as employees acquired their first stock ownership in their own company and cautiously began to recognize their rights and obligations as owners of the business. Workers, by and large, now have the savings to make such investments. Unions themselves have such funds available. It has simply never occurred to many of them. They would be transferring their savings from one form of investment to another—but admittedly would be joining the ranks of those who supply industry with its risk capital. Isn't it time they took some of the risks, in response to restored incentives that are adequate, along with the prerogatives and perquisites—although the package could never be sold on that basis and it does not need to be. If you by the concept of the real unity and interdependence of all segments of business and industry, what better glue of common interest can you find than employee participation — individually and through unions—in ownership of the enterprise itself and in making all willing, indeed eager, to have savers get fair play for the work their savings do? Political remedies for some of the troubles I have described may turn out to be illusory or impossible, and I am not naive enough to believe that a simple change in party in power will guarantee a lasting revolution against the Deals. But political parties and politicians, administrators and legislators, have a way of adapting themselves eventually to the wishes of the majority, even though it sometimes takes them a long while to count. Perhaps our real job, then is to create a majority of Americans consciously on the side of business, by virtue of being a part owner of business, and let the political chips fall where they may. Of course, in my book, this constitutes political action of a high order.

In considering the overall proposition of selling a share in business to all or almost all Americans, we should not only contemplate our present industrial and commercial enterprises, but should obviously look afield for new ones. In this prospectus for the future I would include the present government-owned water and electric power projects; the synthetic rubber plants; also the electric power generating and distribution projects in connection with atomic energy installations. The latter electric power plants can well be regarded as entities separate from the atomic energy installations themselves, and they should be privately operated. The government should set out to find the buyers, fix the price, and sell them. The stock should be made available to all Americans who are interested in buying into this very exciting future, and, of course, one source of money to pay for the securities of the new companies operating these generating and distributing facilities should be the presently-held government savings bonds which are held so abundantly in the hands of private citizens. When a new corporate entity has taken payment in government bonds for—say—a billion dollars for a giant dam and a generating plant, the company could use these bonds to pay of fthe government for the original transaction, by prearrangement.

Looking down the road for the next decade, it seems certain that states and municipalities are to be called upon to provide far more throughways, ramps, bridges, and related public works than their borrowing power will permit, regardless of the inevitable needs of the time. The traffic problems ahead for all metropolitan areas are terrifying from the standpoint of both engineering and cost, but they must be solved. Here again, authorities can be created and the securities sold much more broadly to private citizens. The device of the municipal or state "authority," as it has been evolved, is in itself a partial recognition of the soundness of this proposal. So far it does not always fully get away from the concept of government operation, but it at least adopts the concept of segregating the specific need—whether it be a bridge or a toll highway—and making it pay for itself, instead of dropping it into the bottomless pit of a common government operating budget. Why not take the next logical step in all such cases—let the savers buy into such projects. Investment is a great incubator of responsibility, either for business or for public works.

Government Should Sell Public Works

Why not reverse another trend of the past decades and encourage private companies to take over public transportation facilities, as in New York City, where six transportation systems have gone back to private operation, for greater efficiency, and at a decent profit. Let the investing public, the *owning* - public, become the dominating influence between the "company" and the labor-cowed political machines. The investing public, if the base is broad enough, is better able to cope with the demands of a Mike Quill than is a political machine, which can't or won't.

Several years ago I was led into this idea of buying back public power projects from the government by the debate which raged over such undertakings as the Tennessee Valley Authority. There were many sides to this debate, as you know, and I was on a couple of them at least by virtue of having spent my life in private business and in the electrical industry. But one of the cries that went up the loudest was that taxpayers in Ohio or Montana or Maine should not be made to pay for projects which did not serve the whole country but only a relatively small part of it. If we granted, for the purposes of argument, that a TVA was a good and needed thing, it seemed to me that we could solve this one argument at least by letting the people of the Tennessee Valley pay for it through investment, and in fact opening up the investment possibility to people all over the country who had capital to put to work and who thought that this was such a sound project. Obviously there were enough of such people, judging by the noise they made. If you did no more than use the government's own figures (and who was to say that they were not accurate) such a project, if well run, would produce revenue, and it could pay a return on investment, it could also pay taxes. And if it couldn't do either of these things, the chances were that it was not a good project in the first place, or that it was being badly run. The best guarantee you have of efficiency is to have private ownership, because by that you insure that somebody is around to run the store and watch the cash drawer.

So much for how it all started. The first counter-argument with which you get hit over the head by the government administrators and economic planners is that such a project is just too big for private capital to handle; only the government can do something that big. The second counter-argument is that only the government can operate such a project in the public interest. Both of those arguments are ridiculous on their face.

The government, which considers itself the guardian of the public interest, is no bigger than the sum of its private capital. By itself it has nothing that it can lay on the line. It is private savings and resources that supply reality to government capital, and nothing else. The United States can always organize a company big enough to do the biggest business job that faces it, and this has been proved again and again. And so far as the public interest is concerned, this is one of the great falacies of the theory of public ownership. It is to the public interest that a business understanding be efficiently and productively operated, so that it can pay taxes and supply stable employment. Government has never in its history proved itself an intelligent and efficient operator of any business—look at the Post Office.

I seem to have suggested today a number of things in this area of buying back essentially private businesses from the government. You will immediately recognize that none of these suggestions is full-blown, none is worked out in detail, and nothing like that was intended. I believe that most of them are real possibilities and should be investigated, not only in the intrinsic interest of each separate project, but in the interest of the broad proposition that wider participation in the ownership of business is in the best interests of the United States and its citizens. We know in our bones that the economic source and basis of our greatness as a people is free competitive enterprise, and for the life of me I cannot understand why we tolerate a whole hose of fringe activities designed on the opposite principle. When we have a system that has proved its worth, why not use it. Why must we be hell-bent on proving that socialism is better than the traditional American system, when only one of them has ever worked in the history of the world?

You were warned that this would be a political speech, and I stand on the premise that it is just that and no more. We have nothing to fear from political action—direct political action of the kind I am recommending—except results. So far the results have been pretty good. They have been so good that it has made it possible for us to enjoy the luxury of experimenting with various forms of economic suicide and still stay strong enough to pay our bills and those of a lot of other people. Our progress during the last twenty years has been *in spite of* and not *because of*. It is time we got back on the track, paid off the piano player and the strolling minstrels, and went to work.

Shaskan Bros. to Be Formed in New York

George Lincoln Shaskan, member of the New York Stock Exchange, and Paul N. Shaskan will form Shaskan Bros. with offices at 40 Exchange Place, New York City, effective Nov. 1. Paul N. Shaskan is a partner in Shaskan & Co. George L. Shaskan has been doing business as an individual.

Four Join Staff of Carr & Company

DETROIT, Mich. — Vinton E. Jones has become associated with Carr & Co., Penobscot Building, members of the Detroit Stock Exchange, as sales manager. Also associated with the firm are Charles P. White, Alfred P. Allis and Mabel Lempke. All were formerly affiliated with Baker, Simonds & Co.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Insurance Stocks

The general stock market has made little progress over the past 3½ months. Indeed, the recent decline has brought the average close to the lows of this period.

As measured by the Dow-Jones Industrial Averages, stocks at the close on July 1, 1952 were at 275.46. After reaching a high of 280.29 on Aug. 11, they have since declined, reaching 270.43 on Oct. 14, and the subsequent decline of last week carried them to the low of the period at 264.87 reached on Oct. 16.

How have insurance stocks acted during this same interval?

On July 3 "Barron's" insurance group average stood at 162.47. Stocks of insurance companies were strong the first two weeks in July and the group average reached its high of 165.65 on July 17. Since that time shares have declined small fractions and the average on Oct. 16, the latest available, was 160.99.

Thus, the decline for the Dow-Jones Averages from the high has been 5.5% and that for the insurance stock averages about 2.8%.

A comparison of the performance of the two groups since the first of the year shows a similar pattern and favors the insurance group even more.

The Dow-Jones Average of Industrial Stocks started the year 1952 at 270.38. The high was reached in August of 280.29 and as of Oct. 16 was at 264.87. For the year so far, the averages have thus declined 5.51 points.

"Barron's" insurance group average, on the other hand, started the year at 146.30. The group reached its high of 165.65 on July 17 and on October 16 was 160.99. Thus, for the year so far, the insurance group has made a net gain of 14.69 points.

In view of this, most of the major insurance shares show a gain for the year. Of course, there are exceptions.

Some of the casualty companies engaged in writing automobile lines have continued to suffer from the unfavorable underwriting experience which has existed on this business. Although there are indications that the business is turning around as a result of rate and other adjustments, some of the shares have not yet responded.

Among the fire companies business has continued to be generally profitable and there have been a number of favorable developments so far as stockholders are concerned.

From the stockholders' point of view the most important of these have been the increases in dividend payments. Distributions for several years have been conservative. Increases in investment income have permitted modest increases over the years.

This year there have already been several companies which have increased their rate of payment over that of 1951. Some of the recent ones include St. Paul Fire & Marine; Firemen's of Newark, and Fire Association of Philadelphia. Earlier in the year Continental Insurance and Fidelity-Phenix increased their quarterly rate.

Other increases are expected over the next several months. This should act as a stimulant or a support for insurance shares.

In the tabulation below, we show the price changes of some of the leading companies from the beginning of the year up to Oct. 22, as well as the price range so far in 1952.

	Market Bid Price Jan. 2 1952	Market Bid Price Oct. 22 1952	Point Change	—1952— Price Range High	—1952— Price Range Low
Aetna Fire	54½	56	+ 1½	59	51½
Agricultural Insurance	67½	80	+12½	83	67½
American Insurance	22	26⅜	+ 4⅜	27⅝	22
American Surety	51½	49¾	— 1¾	53¼	47¾
Boston Insurance	62¾	69½	+ 6¾	70	62¾
Continental Casualty	63½	78¼	+14¾	88	63½
Continental Insurance	72¼	75	+ 2¾	78¾	68½
Federal Insurance	87	95	+ 8	95	87
Fidelity-Phenix	70	76½	+ 6½	79½	68¾
Fire Association of Phila.	56¼	66¾	+10½	68¾	55½
Fireman's Fund	55¾	56½	+ ¾	58¾	51¾
Firemen's (Newark)	23	25⅞	+ 2⅞	27⅞	22⅞
Glens Falls Insurance	53	59¼	+ 6¼	62	53
Great American Insurance	34	36¼	+ 2¼	38¾	33
Hanover Fire	32½	38	+ 5½	39¼	32
Hartford Fire	132	149½	+17½	151½	131
Home Insurance	35¼	38	+ 2¾	39⅝	34⅜
Ins. Co. of North America	70	84¼	+14¼	87¼	70
Phoenix Insurance	84½	99½	+15	104	81
St. Paul Fire & Marine	32	32½	+ ½	35	30½
Security Insurance	31¼	37½	+ 6¼	39	31¼
Springfield Fire & Marine	44	50	+ 6	54¼	44
United States Fire	41¼	43½	+ 2¼	46¾	38
Westchester Fire	21¼	23¾	+ 2½	25¼	21¼

With H. B. Cohle

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Arthur C. Botterall has become associated with H. B. Cohle & Co., Union Trust Building, members of the Cincinnati and Midwest Stock Exchanges.

With Walston, Hoffman

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Hayward K. Kelley is now with Walston, Hoffman & Goodwin, Hotel Hollenden. He was formerly with Ball, Burge & Krause.

When Can Congress Reduce Taxes?

By ROSWELL MAGILL*
President of the Tax Foundation
Former Undersecretary of the Treasury

Asserting tax burden must be reduced unless goal is "Socialism in our time," Mr. Magill forecasts expiration dates fixed by Congress in last tax measure will not be extended, and thus tax revenues will be reduced by $2.7 billion. Says a Spartan policy of economy can offset this loss, and points out areas where government expenditures can be reduced.

I

Every four years Americans find themselves surrounded by a multitude of issues. The burning question is no longer the intimate, interesting personal one: whether to buy a new suit or a new Ford or how to send Johnnie to college. Rather the papers and the television set ring with great national problems: Shall the Taft - Hartley Act be repealed? Shall we have a 143-wing air force? What shall we do about Korea?

Roswell Magill

Candidates, at least successful candidates, cover their answers and appeals with liberal coatings of political sugar. Farmers' parity prices must be maintained. Social security payments must be increased. There must be generous provisions for the rehabilitation and education of veterans.

Suppose we do have an enormous Federal deficit. We have had Federal deficits for years, and we're not ruined yet. Each particular Federal program was devised to be good for someone, all except the tax program. Why not maintain and even increase all these good things; and then take a tuck in the tax system to make everybody happy? Taxes really are too heavy. Can't we reduce them, first on ourselves, as individuals, and then on sales and on corporations as fast as we can? Why not?

Fiscal experts may know why the budget should be balanced; but many a man called a fiscal expert is not singing that particular song this year. How many laymen are there, anyway, who understand even half of the billions in the Federal budget? How many can resist the siren appeal of all these good things that we can acquire by spending: a flood-free Missouri Valley, for example; and a West without a dust-bowl? Any program to balance the budget by cutting spending is a program of self-denial for some group, and self-denial is not very popular. What do we gain by denying ourselves? Isn't the talk of balancing the budget simply a negative program, to cut off tangible good things of life, in favor of an intangible fiscal ideal?

Confronted with all these conflicts and cross-currents, the citizen yearns for the candidates and the experts to work out for him a rational set of guiding principles, which he and they can apply to all these specific problems. He knows he can't review the Federal budget personally, nor the defense program, nor our plans for international aid. On budgetary and fiscal matters, the experts ought to be able to help him. What have we to say?

II

To start, we must decide what we expect from our government. Then we can take a look at the Federal budget, the cost of the things we want. And finally we can look at the annual bill, the taxes we pay, and decide if we can afford all these government programs.

What do we Americans want most of all from our government? We may think, first, of such utilities as good roads or a big navy; but, fundamentally, I think we want the government to accomplish for us two great things.

First, we want our government to strive for peace in the world. We want a stable society and an end to recurring wars and emergencies.

Second, we want to maintain the economic well-being of America. That means, among other things, that we want the government to give us a dollar that will be worth as much tomorrow as it is today. If the government would maintain the value of the dollar, there would be an end to ever-increasing costs of living. There could be an end to demands for increased wages to meet increased living costs; and an end to the resulting inflationary spiral that makes it so hard to live decently and to plan for the future.

Only government can give us these two blessings. We can't buy them or make them for ourselves. But being citizens in a democratic state, with a national election right in front of us, we can choose the men who support the policies that we believe will achieve the ends we desire.

What are the policies essential to peace and to a stable dollar?

(1) We have found in the years since World War II that we can't have peace merely by wishing for it or hoping for it. We can relax and be peaceful ourselves, but the other fellow obviously doesn't want to. Strangely enough in this world we live in, we can have peace only by being ready to fight for it—successfully. We must have armed forces big enough to guarantee defeat to anyone who attacks us. We must believe enough in peace to maintain a big air force and a big army and a big navy, even at great cost. We can't rely, as we used to think we could, on a volunteer army that springs to arms at the first sign of danger. No other country will be able to protect us this time while we prepare. We must be ready right from the beginning to protect ourselves from the first attack, the first hostile bomb.

If we are strong enough, if we have plenty of planes and men and ships in apple-pie condition, we may not need to use them. Our enemy can't afford to lose a great war, so they won't start one until and unless their head man and his cabinet have solemnly decided that they will win. Conversely, our main adversary has taken over and will continue to take over any chunks of the earth that are not well defended. It is evident that we ourselves must not only keep our powder dry, but maintain large forces ready to use the powder at a moment's notice. The great problem here is not whether we will defend ourselves; but how much of the rest of the world we must be prepared to defend.

The strength that our adversaries fear and that we rely on is industrial strength quite as much as military strength. We have made our place in the world by out-producing the other fellow. In the present international arms race, we must continue to out-produce our enemy in order to survive.

To build and to maintain a great industrial empire at top efficiency is a very expensive undertaking to begin with; and it continues expensive year after year. Great capital sums are required, not only at the beginning, but to develop and expand each enterprise. We are told that $27.5 billion will have gone into the development and expansion of our industrial plant during 1952. How much did it cost to produce the first nylon filament? How much is it going to cost to produce all the nylon and dacron and so on that are needed now? What will it cost to dig iron out of that mountain in the interior of Venezuela; to ship it down the Orinoco and up the Atlantic; and, finally, to put the ore throuh a blast furnace in Maryland or Pennsylvania?

So far, capital for our great enterprises has come, not from the government, but from private investors—from the earnings of the enterprise itself, or from the savings of persons who believed in it, and were willing to risk their money in the hope of a reasonable return. When tax rates on corporations and on individuals are too high, saving is difficult or impossible. Too high taxes strike a blow, then, not only against thrift, a fundamental American virtue; but against the ability of our enterprise system to defend and to perpetuate itself. So far, enough savings have been produced; but the current successful demands for higher interest rates indicate that the need for new capital may be greater than its current availability. In a very real sense, too high taxes are whisking away the golden eggs as fast as the goose lays them.

The solution of fiscal problems, as of other problems of political science, demands the exercise of judgment. We must balance one possible use for our earnings — savings and investment; against another possible use — governmental expenditure on defense or payments to veterans or farmers' parity or whatever. The rules are not precise, and there is no slide-rule to measure stresses and strains and tolerances exactly.

Nevertheless, even without a slide-rule, it seems certain that the government is taking from us in taxes just about as much as it can, if the enterprise system is to survive. When the government takes over the spending of more than three-fourths of an individual's and of a corporation's income, the financial incentive to work to earn **more** income is just about gone. The earner is apt to decide not to try to earn more, but to take longer vacations. There are other incentives than the financial one, of course, but it is very potent. And in this struggle between two forms of government and two civilizations, we would like to have all the incentives working for us and not against us.

The conclusion, then is, that to have peace as a nation we must be strong. Our fundamental strength lies in our magnificent productive machine: we must maintain it and improve it. That means that we must make sure that individuals have the incentives to do the work and to produce more. It further means that the government must leave individuals and corporations enough opportunity to save and to invest the new money that developing enterprises require.

(2) All of you in this audience want the government to give us a stable dollar. How can that be accomplished? The essential step is to balance the Federal budget and to keep it in balance.

When the goods and services acquired by the government are paid for out of tax money, when the budget is balanced, then the total supply of money does not increase and the dollar retains its value. On the other hand, an unbalanced budget means that the government is spending more than it takes in from taxation, and consequently it must print money or borrow it to cover the excess of expenditures. Government borrowing from the public may have a slight tendency to reduce private spending, but government borrowing from the banks results in the creation of new money. It is as if the government used the printing press directly to finance its excess expenditures. Thus government expenditures financed by borrowing are not offset by a reduction in private spending, and so the total demand for goods and services increases. If output does not increase correspondingly, which is the case today with practically full employment, prices are bound to rise.

Unbalanced budgets have been the primary cause of the increases in the cost of living, and of the decline in the value of the dollar. Fundamentally we don't need more government controls of prices so much as we need effective government controls of the government's own spending. The government's shiftless management of its own fiscal affairs is the first reason for the depreciating dollar. Most unfortunately, bad fiscal management has been coupled with extraordinarily high expenditures, so that impact has been doubled.

There are only two ways to bring an unbalanced budget into balance: either by raising taxes to cover the expenditure total, or by trimming expenditures to bring them within the total revenue.

It is not necessary for me to spend time trying to prove to you, or indeed to any other American, that taxes are already too high. Any of us can prove that point any day from our own experience. We all want to see taxes reduced. We would like to be free to spend more of our own earnings in our own way — a privilege that has been taken away from us bit by bit, piece by piece, in recent years. Hence neither our Congressmen nor we ourselves have any stomach for further tax increases.

We are also convinced that Federal expenditures are too high. They are eight or nine times what they were in 1940. They are nearly twice what they were only two years ago in 1950. The current budget is $10 billion or more out of balance, despite the largest tax collections in the country's history. We have had plenty of demonstration lately that there is a lot of government waste among the mink coats and deep freezers; that Washington is trying to do too many things that should be done nearer home; that the Federal Government has grown too big; that we are not getting a dollar's worth of goods and services for each dollar spent.

We cannot have a stable dollar unless we are willing to bring the budget into balance. We are not willing to put up with more taxes. Then we must cut expenditures. Can it be done? It can, but the task demands enormous determination and skill, as well as self-denial.

III

We all know that the budget is as big as a Manhattan telephone directory; that it comprehends thousands of items and billions of dollars. Moreover, the present is nearly the worst time in the year for anyone outside the Budget Bureau to propose any specific changes in the budget. We are in the middle of the fiscal year 1953. Budget appropriations for the period ending next June 30 were adopted by Congress some months ago and cannot now be altered. The Administration can economize in the actual spending, but with the best will in the world, large-scale accomplishments in current budget reduction are impossible.

The Administration recently estimated that budget expenditures during fiscal 1953 are expected to be, not the $85.4 billion the President originally proposed in January, but $79 billion; still an enormous figure even in Federal budget history, and $10 billion more than estimated receipts. Receipts may be a few billions more than $69 billion, expendtures a few billions less than $79 billion; but the general picture is not likely to change.

The next budget year will be the period from July 1, 1953, to June 30, 1954. The Budget Bureau is now assembling estimates of proposed expenditures for that year from all the myriad parts of the Federal Government, but nothing official has appeared or can appear for months. Hence no one outside the Budget Bureau has any figures to work on; and you can count yourselves lucky, for you are bound to be spared any discussion of budget figures. All we can hope to do is to lay down some general propositions, to which we shall try to adhere in the months ahead, when the proposals of the different bureaus and departments appear and the heat is really on.

Two-thirds of the total budget is spent for millitary services, including foreign military assistance and foreign aid generally. In the current year the military plans to spend $47 billion. Even so, the Defense Department will have available $56 billion in left-over authorizations and appropriations at the beginning of the 1954 fiscal year next July 1. While the requests for new authorizations next year will probably be below this year's appropriations, actual defense spending is not expected to taper off until some time after 1954.

We can hope that the military items in the budget will settle down to a lower level and bring the possibility of a balanced budget nearer to reality. There is certainly room for cuts in the next military budget. Recently, the Committee for Economic Development concluded, after study, that a saving of $4 billion could be achieved in the Department of Defense "without impairing the effectiveness of the security programs." These savings would result from better procurement procedure, more standardization, and more economical methods of construction, design and production.

The non-military side of the budget also contains large reducible areas. Although Congress made substantial cuts in the current budget, negligible amounts were cut from the $18 billion "reducible" area as recommended last year by the Committee on Federal Tax Policy, of which I was Chairman.

The Committee singled out as particular targets for program cuts, and the elimination of waste the following areas:

(a) Loans—$2½ billion.

(b) Civil public works—$1½ billion.

(c) Federal aids and subsidies, as well as special federal services to agriculture, labor and business —$9¼ billion.

(d) Sale of loans and commodities.

In these areas the Committee recommended cuts of $8¼ billion in 1952 budget. Corresponding cuts of $10¼ billion could have been made in the 1953 budget.

These cuts would enable the budget to be balanced and a substantial tax reduction would become possible.

The best work any of us can do in this period between budgets is to try to settle on improvements in budgetary procedure which will make a balanced budget and thus a stable dollar more likely of accomplishment.

First, Congress should place a ceiling on expenditures, within which the Budget Bureau and the Administration as a whole should operate, and it should not be higher than anticipated revenues from tax laws on the books. The burden of determining allocations and cuts should be placed squarely on the Administration. A budget

*An address by Mr. Magill before the Iowa Bankers Association, Des Moines, Iowa, Oct. 22, 1952.

of the current size gives ample leeway for all necessary programs. No new programs should be instituted without specific provision for financing them.

Second, the Congressional Appropriations Committees should recruit an adequate technical staff, like that maintained by the Joint Committee On Internal Revenue Taxation, to assist the committees in the difficult tasks of analyzing spending proposals and of fitting particular recommendations into the general scheme of Federal appropriations. The appropriations committees performed a herculean task in analyzing and reducing the last budget. They must be prepared to do an even better job year after year.

Third, there must be a review and a careful pruning of the mass of legislation already on the books, which authorizes appropriations. Session after session, the Congressional desire to reduce the total expenditures materially and thus to give the citizen relief from excessive taxes is blocked by authorizations already on the books for all sorts of continuing programs, indefinite as to time and amount. This "uncontrollable" part of the budget needs to be grealty reduced in line with present realities. Senator Byrd has told us that the total of authorized appropriations on the books on June 30, 1952, was $91.3 billion. Add the new appropriations to that figure, and the total is a colossal $172 billion. These enormous figures show why there is so much appeal and logic in the proposal that Congress should wipe the slate clean of old authorizations and start over again. How can the budget be balanced, how can the dollar be made stable, so long as outstanding uncontrollable expenditure authorizations so greatly exceed the annual budget?

IV

Finally, at long last, we come to taxes. Our Federal tax structure cries for improvement and for reduction. The present structure literally is a mess. If we could start fresh, and the problem were to propose a new set of taxes to pay for prospective governmental expenditures, no expert or Congressman, I think, would ever propose the tax structure we now have. Most experts would agree with the laity, first, that our total tax burden is much too high, and must be reduced, unless the goal is Socialism in our time. Second, the taxes are not well devised. Too many fall in the wrong places.

When the tax screws were last tightened, Congress put expiration or repeal dates on the excess profits tax (June 30, 1953); the 10 or 11% increase in the individual income tax (December 31, 1953); the 5 percentage point increase in the corporate income tax (April 1, 1954); and on various increases in excise taxes (April 1, 1954). In a full year, these tax increases produce over $8.3 billion. In the fiscal year 1954, the revenue would be reduced about $2.7 billion if all the increases were allowed to expire on their termination dates. Shall the repeals be allowed to take effect? I think the answer is "yes."

(1) The excess profits tax has a pretty name, but its deeds are evil. The current law is a masterpiece of complexity and gobbledegook, and few will contend that the law is successful at all in distinguishing excessive profits from ordinary profits. The tax encourages wasteful expenditures, for the Treasury is paying most of them. The tax is much harder on new development enterprises than on old established ones. The tax serves to drive prices up and thus to promote inflation. The tax was written and adopted without adequate consideration and study. It has worked badly. It should be repealed.

(2) The individual income tax increases have had a devastating effect all up and down the line. The man with $4,000 surtax net income pays nearly $1,000 ($936) in Federal income taxes alone. At the other end of the income scale, the man with $100,000 surtax net income pays over $70,000; plus 90 cents out of every additional dollar over $100,000 which he may earn.

Very high taxes have gone hand in hand with inflation, with the result that, notwithstanding large wage increases, very few of us have been able to maintain our living standards, much less get ahead. A married couple with two children and a $2,000 income in 1939 needs an income of $4,200 today simply to maintain their position, after taxes and inflation. The $5,000 couple must have $11,641 today; the $8,000 couple $19,760; the $15,000 couple, $44,384. The $100,000 couple must have advanced to the impossible height of $1,005,381 per year, merely to maintain their 1939 economic position. Who, then, is as well off today as he was in 1939? What of the slogan that we never had it so good?

The fact is that even substantial promotions and wage increases have not kept up with the decline in value of the dollar and the increasing tax impact.

To repeal the last 10% increase in the income tax will, in no sense, cure this situation. Nevertheless, the repeal would be a welcome recognition that taxes are too high. Further, it would prevent the increase from sliding into permanent law, the all too common destination of emergency taxes.

(3) The latest corporate income tax increase ought also be allowed to lapse, primarily because a 50% levy on income is high enough. In a free-enterprise economy, the government should not take more of a corporate taxpayer's earnings than it may keep for itself and its shareholders. We must have a vigorous expanding economy, and vigorous corporations are a principal component.

(4) Finally, many of the excises are too high. The excise tax system is not general, but selective. Sales of many kinds of goods are not taxed at all. The rates of tax on some items, notably liquor, are now so high that the high tax produces less than the lower tax used to do. We need a broadly based excise tax system to produce a greater share of total revenue than the excises now provide. The lapsing of the increases should be coupled with a revision of the whole excise tax structure.

I shall not speak at this time of all the other kinds of tax revision that are badly needed: for example, the restatement of the law in shorter, more intelligible terms. 1953 in not an election year, and a new Congress should seize the opportunity to overhaul the tax system and put it into shape for the long haul of heavy costs ahead.

In conclusion, however, I want to couple what I have just said about tax repeals with what I said earlier about balancing the budget. In my judgment, in these times of enormous business activity and full employment, the Federal budget must be kept balanced. We must maintain a sound dollar. Consequently, spending must be cut down to bring it within revenues. Before taxes are cut, and revenues thereby reduced, expenditures must be further reduced.

It is a Spartan policy. It will require strong administrative and legislative leadership and great integrity. But it can be done.

To return to my place of beginning, the policy of a balanced budget, of reduced spending to permit reduced taxes is the best way to insure a stable dollar to foster a strong nation and a peaceful world. As citizens, we want those results from government above all others, and it is in our power to get them. Our course of action is clear. We must gird our loins, and march through our own Red Sea to the promised land we hope to find.

Charles C. King Is Celebrating 25 Yrs.

Charles C. King

LOUISVILLE, Ky.—Charles C. King, Assistant Secretary of the Bankers Bond Company, Kentucky Home Life Company, celebrated 25 years in the securities business in Louisville on Oc. 10. Mr. King, who has been with the Bankers Bond Company for 17 years, started his career with J. J. B. Hilliard & Son in 1927.

W. G. Dominick With Goodbody in Tampa

TAMPA, Fla.—Goodbody & Co., members of the New York Stock Exchange and other leading security and commodity Exchanges, announce that W. Gayer Dominick is now associated with the firm in its Tampa, Florida, office, 608 Tampa Street.

Mr. Dominick has had a long experience in the investment, trade and economic fields. His earlier connections included the former investment firm of Bonbright & Co., Inc.; Clark, Dodge & Co., and the Mechanics Savings Bank of Hartford, Connecticut. He had also been connected with "Newsweek" as financial editor and assistant to the publisher.

P. A. Benneche With Thomas D. Jenkins

P. A. Benneche has joined the office of Thomas D. Jenkins, Investment Securities Dealer, at 509 Madison Avenue, New York City.

Mr. Benneche, most recently with J. A. Ritchie Company, has had experience in the Municipal Bond field, having been associated with such well known firms as H. L. Allen & Company, C. F. Childs & Co., Sherwood & Co., and others.

Rosler Appointed by Brown Bros. Harriman

Brown Brothers Harriman & Co., 59 Wall Street, New York City, announce the appointment of Gerard Rosler as Assistant Comptroller. Mr. Rosler has been with Brown Brothers Harriman & Co. since January, 1951, prior to which he was associated with the American Sugar Refining Company.

W. Lewis Hart on Visit to New York

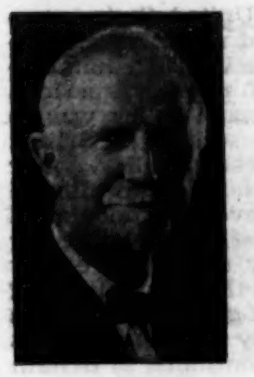
W. Lewis Hart, partner in Austin, Hart & Parvin, San Antonio, is in New York City on a business trip. Mr. Lewis is also a director of the Union State Bank and the Government Personnel Mutual Life Insurance Company, both of San Antonio.

Grounds for Optimism

By ROGER W. BABSON

Mr. Babson, predicting, barring World War III, there will be no return of conditions such as existed in 1932, gives as reasons: (1) protection of mortgages by Federal Housing Agencies; (2) the 75% margin requirement on stock transactions; (3) prevention of big business failures by RFC; (4) strong position of banks, and (5) farm price supports. Says brightest factor in situation is heavy spending on wise advertising, salesmen, and educational training.

According to the Cycle Theory a business depression may be due during the next year or two. When at Wellesley, studying charts and statistics, I am inclined to agree with this school of thought. After however, a visit to New York and seeing what the sales organizations are doing today, compared with 20 years ago, I believe that—barring World War III — there will be no return of conditions such as existed in 1932.



Roger W. Babson

Protection for All Worthy Cases

There are several reasons for my mild optimism: (1) Real estate mortgages will be protected by the Federal Housing Agencies. (2) Stock prices will be bolstered by 75% margins. (3) Big business failures will be prevented by the RFC. (4) The banks are in a very strong position, and most of the large corporations have no loans outstanding, but rather big surpluses. (5) Farmers are insured by price supports, and climate controls. The most damage will come from selfish labor leaders, heavy imports, and reckless price cutting.

The brightest factor, which I have in mind, never existed 20 years ago. I refer to the billions now being spent on wise advertising, salesmen training, and especially on conventions. During my visit here in New York City, I have seen some of the brains, the planning, and the energy which are being spent on copy, color, space, type, and even models! When you read national advertisements in a great weekly, or in your local newspaper, you have no idea of the work spent in preparing those advertisements.

Markets Now Are Analyzed

Even before writing these advertisements, both the product and the appeal have been tried out on thousands of housewives. Perhaps five different advertisements would be selected out of 40 copies submitted; then each of these five would be tried out on five thousand families. The reaction of these housewives determines who are the best artists, photographers, copy writers and psychologists. In case of a depression, this advertising will be even increased as a factor in giving consumers confidence to buy when the nation is again threatened with unemployment.

In addition to this newspaper, magazine, and similiar advertising, millions are being spent on radio and television. Modern television advertising did not exist 20 years ago. Not only is this a great factor today in creating consumer buying, but plans are being laid for television to serve in a most wonderful capacity in case business should suddenly go into a tailspin.

Conventions for Salesmen

Twenty years ago anyone who couldn't get a job at anything else could always try to sell something on commission. Now this is all changed. Eighty percent of the salesmen being employed today have taken college courses on Business Administration. Before being allowed to sell, they are put through individual plant training. Then once a year the leading concerns have great conventions here in New York, or elsewhere. Preceding the last depression only about 150 of these annual national conventions were held. I learn today that over 585 are already planned for the next eight months. Moreover, plans are made so that this number could be doubled if unemployment should seriously return.

Visual Demonstrations

At these conventions the sales forces not only hear speeches; but these speeches are illustrated by films, tape recorders, dioramas and "flop photos." In short, when the last depression struck, the country was unprepared, with no economic army, navy or air force. But, today we have in reserve for special use, in case of unemployment, a sales army, an advertising navy, with a radio-television air force. These can be thrown into activity at the drop of a hat.

So long as people are dishonest, inefficient or lazy, there will be business depressions; the same as there are sicknesses when we abuse our health. As, however, new treatments and new drugs are reducing the death rate, so these new sales developments can prevent unemployment from becoming too severe. In other words, we are now building up an economic "fire department" to prevent an economic conflagration. This we never had before.

R. W. Pressprich, Jr. To Be Partner in Tucker, Anthony Co.

R. W. Pressprich, Jr.

Reginald W. Pressprich, Jr. on Nov. 1 will become a partner in Tucker, Anthony & Co., 120 Broadway, New York City, members of the New York Stock Exchange and other exchanges. Mr. Pressprich was formerly a partner in R. W. Pressprich & Co.

Stanley Jeffries With Chas. A. Taggart

PHILADELPHIA, Pa.—Stanley W. Jeffries has become associated with Charles A. Taggart & Co., Inc., 1500 Walnut Street, members of the Philadelphia-Baltimore Stock Exchange. Mr. Jeffries was formerly with Merrill Lynch, Pierce, Fenner & Beane.

European and American Inflation

By PAUL EINZIG

Commenting on "Chronicle" article by Dr. Palyi, Dr. Einzig agrees European nations are largely responsible for their own balance of payments difficulties, and their internal inflation is due to policies of over-full employment. Holds, however, U. S. is at fault in following similar ideas, achieved largely at cost of inflation.

LONDON Eng.—In an interesting and provocative article appearing in the Sept. 13 issue of the "Commercial and Financial Chronicle," Dr. Melchior Palyi indicts Britain and other Western European countries for having pursued unsound financial policies since the end of the war and for having lived beyond their means. The indictment is severe but just. There can be no doubt that the governments concerned have largely themselves to blame for their balance of payments difficulties, which are the logical, natural and inevitable consequences of their internal inflation. The internal inflation in turn is largely the logical, natural and inevitable consequence of their policies aiming at over-full employment, the unduly speedy adoption of the Welfare State and the maintenance of interest rates at an artificially low level. And since these policies have been endorsed by the electorates — every country has the Government and the policies it deserves—the peoples themselves may rightly be condemned as having caused their own difficulties.

Dr. Paul Einzig

In order that the severe indictment should carry adequate moral force, however, it must come from quarters which are entirely free of the fault for which they readily condemn the European Governments and nations. Can Dr. Palyi, and the other American writers and politicians, who argue on his lines, claim that the financial policies pursued by the United States since the end of the war have been the models of soundness? Is he in a position to deny that the truly remarkable progress of the American standard of living has been achieved to a large extent at the cost of inflation? If not he exposes himself to the obvious retort that "the pot calls the kettle black."

From the end of the war up to the outbreak of the Korean conflict the United States had full five years during which they could have set an example to the rest of the world for correct and sound economic and financial policies aiming at internal monetary stability. Practically everything favored and facilitated the pursuance of a policy of stable money and the balancing of the budget without having to raise excessive taxation to that end. There was no need to inflate for the sake of any large-scale and urgent war damage reconstruction. There was no need for making costly concessions to the working classes in order to avoid Communism. With their immense gold reserve and external assets, with a persistently favorable balance of payments, with a formidable industrial capacity and wealth of raw materials and, above all, with their unequalled efficiency in production methods and organization, the United States would have been well in a position to avoid inflation altogether. An example could easily have been set for less fortunately placed countries to show how they ought to try to run their finances.

It is true, such a policy would have involved a certain degree of self-denial. But the standard of living in the United States could have continued to rise nevertheless, leaving well behind that of other countries. The progress would have been less rapid, but impressive all the same.

Instead the United States pursued a policy of monetary expansion leading to a virtually uninterrupted rise in prices. American post-war monetary policy was to a large degree similar to British post-war monetary policy. Our Dr. Dalton, Socialist Chancellor in 1945-47, was severely condemned on both sides of the Atlantic for his inflationary cheap money policy, pursued through bolstering up the prices of government bonds at an artificially high level. That policy was discontinued in Britain in 1947. In the United States it continued right till 1950. Another instance is that of farm produce subsidies. They have operated both in Britain and the United States, only they assumed different forms. Both Britain and the United States have pursued monetary policies aiming — rightly or wrongly—at the avoidance of a trade depression at the cost of sacrificing the stability of their price level.

The proof of the pudding is in its eating. Prices in the United States have of course risen considerably less than in France or Italy. But there is relatively little to choose between the rise in the United States and Britain or several other Western European countries. In incomparably more favorable conditions the United States have not been able to keep down their cost of living much more effectively than many Western European countries.

The blame for the inflation that has taken place in the United States during the last two years is often put on the Korean conflict and the need for hasty rearmament. Yet at the same time it is often pointed out that the extra effort involved has not entailed any real sacrifices and the American standard of living has continued to rise in spite of Korea and rearmament. Beyond doubt this is a remarkable feat. But it could only be achieved at the cost of further inflation. It would have been possible to rearm without inflation, but it would have meant a temporary acceptance of a standard of living which, though still well above pre-war and incomparably above the present standard of living in any other country, might have compared somewhat unfavorably with the pre-Korean American standard of living.

It is far from me to criticise this preference of non-stop prosperity to the rigid maintenance of orthodox financial principles. It may be arguable that, since it seems to be impossible to strike a happy medium between boom and slump, it is wise to err on the side of the former in order to avoid the latter. Possibly a rigid anti-inflationary policy might have entailed a certain amount of risk of slump, and there can be no doubt that the development of a slump through excessive anti-inflationary measures would have entailed incalculable economic, social and political consequences. This consideration has to be borne in mind by anyone who is inclined to criticise American post-war monetary policy. But the acceptance of inflationary expansion, not by necessity but by deliberate choice, somewhat weakens the moral justification of criticising other nations for adopting the identical policy in much more difficult circumstances. Britain and other Western European countries had admittedly no adequate excuse for pursuing inflation for the sake of raising their standard of living and avoiding the risk of unemployment. But he who is blameless of this offense should throw the first stone.

Dr. Palyi could of course reply to the above argument that while the United States could afford to inflate without endangering their solvency through a balance of payments crisis the Western European countries were not in a position to do so. The question is why have the United States been in a position to inflate with impunity? Why is it that in spite of expansionary internal policies they have been able to maintain a formidable export surplus? Simply because most other countries have been inflating to an even higher degree. Let us suppose for the sake of argument that it would have been practicable for Britain and other leading countries to adopt strictly sound financial policies since the war. The contrast between their sound domestic internal conditions and the inflationary conditions in the United States would have created a fundamental disequilibrium to the detriment of the United States. The dollar would have become soft currency and in order to defend it the United States Government would have had to check inflation. It is because the European Governments had failed to live up to Dr. Palyi's expectations that the United States had been in a happy position to inflate with impunity and to lecture European Governments for their unsound policies.

As a matter of fact, the argument is almost entirely academic. The relative importance of the United States in world economy is so immense that an inflationary American policy would have practically ruled out the possibility of maintaining stable prices in other countries. The rising trend of American prices has been weighing heavily among the factors making for inflation outside the United States. But for this factor the extent to which welfare states and other policies have produced a rise in prices in Western Europe might have been considerably smaller.

There is another aspect of the subject. The efforts of Britain and of other European countries to maintain and increase their exports to the United States are strongly resisted by the American interests concerned and their chief argument is that these goods should be kept out because they are the products of sweated labor. This battle cry carries much conviction in the United States in spite of Dr. Palyi's contention that British and European workers, so far from being sweated, are feather-bedded. It is easy to imagine how much stronger this agitation would be if, in an effort to live up to the standard of behaviour prescribed by Dr. Palyi, we had really tightened our belts and lowered our standard of living.

A. M. Kidder Co. Adds

(Special to THE FINANCIAL CHRONICLE)

BRIDGEPORT, Conn. — Mrs. Anne L. Blaser has been added to the staff of A. M. Kidder & Co., 940 Broad Street.

R. C. Buell Adds

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn.—Joseph J. Palker, Jr. has been added to the staff of Robert C. Buell and Company, 36 Pearl Street.

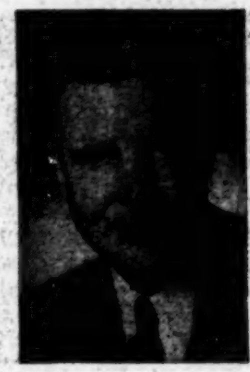
What Business Wants From the Next President

By DON G. MITCHELL*

President, Sylvania Electric Products, Inc.

Asserting Presidential candidates are ignoring problems of business, while catering to other segments of the economy, Mr. Mitchell lists among things businessmen are wishing would happen in our national government: (1) a more equitable distribution of the tax burden; (2) a non-isolationist foreign trade policy; (3) non-interference of government in labor negotiations; (4) an end of profit regulation in competitive business; (5) honesty in government; and (6) no more deficit financing. Wants more cooperation and understanding between big business and government.

Last month the Republican and the Democratic candidates for President spoke before the American Legion, the American Federation of Labor, and before that a large meeting of farmers at a plowing contest. These were choice audiences and at times one or the other candidate broke into his travel itinerary in order to talk to one of these groups. At each of these meetings both candidates told where they stood on the questions affecting the members of that particular group and what they promised in each instance wasn't niggardly.



Don G. Mitchell

I have searched the papers high and low but I can't find a single instance where either candidate sought a place on the platform of any major convention of businessmen. If that sounded funny to any of you, I am sorry. I wasn't trying to be funny. I am in dead earnest.

I have further searched the record and I can find no promises made by either candidate to business and industry—no recognition that they have problems, many of which have their origin in Federal regulations and the manner in which they are being administered.

Isn't this rather strange when you stop to think that corporations will pay some $22 billion of taxes this year to the Federal Government — that corporations furnish 34% of the total Federal tax revenues?

I realize, of course, that it was not always so, that there was a time when business and politics openly consorted. I also realize that abuses crept in and another of our American liberties was taken away from us. Nevertheless, it makes me boil to see how other economic interests have abused their political freedom and are getting away with it.

Business Well Fumigated Politically

Business and industry, on the other hand, have been pretty well fumigated politically and still apparently they aren't good enough to be seen with, out in the open.

Labor and agriculture have a voice in the Administration and they use it. Commerce also has a voice but its vocal chords need strengthening. Not since the last Republican President was Secretary of Commerce have we had a strong advocate of business in the Administration. So, maybe it's time for business and industry to say what they would like to have —and I don't mean gifts from Santa Claus.

Everybody else is asking Uncle Sam for something for themselves —gimme-gimme-gimme. Business, on the other hand, is trying to think far beyond its own selfish interests. Of course, business and industry will benefit, else why talk about its desires. But we think that the people of the United States will be the big winners in the long run—and we won't be running up a bill for Uncle Sam to pass back to the taxpayers.

Let me give you an idea of some of the things that businessmen are talking about and wishing would happen in our national government.

(1) Businessmen want a more equitable distribution of the tax burden.

When Congress increases the normal and surtaxes and then adds an overburden of an excess profits tax, who gets hurt? Business? Yes, of course, but the greatest harm comes to those whose savings are invested in American business and to those who buy the products of business.

It has been said repeatedly that one of the best hedges against inflation is a higher tax assessment. Maybe the economist can prove his contention but all I know is that if taxes were lower business could reduce prices substantially and make more money.

In 1949, for instance, Federal taxes for manufacturing corporations were 3.5% of sales. Last year they were 6.9% of sales. In the growth companies the spread was still greater. My own company, for instance, showed a difference of 5%.

There's one of the reasons why prices cannot come down faster or very much.

Now just suppose prices could suddenly be lowered by the difference between 1949 and 1952 taxes. Say between 3½% and 4%. According to my calculations that would increase the purchasing power of the dollar or of the labor hour by close to 4%.

Aside from improving the purchasing power of the dollar, how many more people could you employ if sales were increased 4%?

Not only do the consumers and the workers get hurt by high taxes on business but also the people who have invested their savings in business.

There are still a great many people who think that corporations are owned by the rich. A survey this spring by the New York Stock Exchange showed that nearly 7 million Americans own one or more shares in corporations. When you stop to think that only 2 million people have an income of $8,000 or more a year, you begin to see that thrift is invested in American business—the thrift of millions of our lower-income families.

More than 200,000 families with incomes under $2,000 own shares.

These people invest in industry for income and enhancement of principal and any attack that is made on corporation earnings is an attack upon their savings.

Should those 7 million investors ever become organized, the management of business and industry would not have to plead its case —they, the owners would do it.

And while we are on taxes I

*An address by Mr. Mitchell before the Rotary Club of Chicago, Chicago, Ill., Oct. 14, 1952.

think you will find that business—not all segments of business, but business generally—is far from being happy with the excise tax rates. They range all over the lot and have in some instances been sales retardants of a serious nature.

A large segment of American business and industry would like to see uniform excise taxes. For social reasons it's hardly to be expected that tobacco and liquor can be included but otherwise let everything bear a uniform excise tax. Moreover, we would like to see that tax paid in such a manner that it did not contribute to higher prices through the process of mark up. In other words, we do not believe any part of business should make a profit as a tax collector.

(2) Non-Isolationist Foreign Trade Policy.

Little by little our policy with respect to imports is driving other nations to expand their trade with Russia and other communist countries. England is one very good example.

It matters little how much we have given other nations or how much we have loaned them. Their people have to eat and their people need certain things they do not produce. The only way they can import is to export. We have what they want and need but we have not been willing to open our markets to them in such a way that they could sell their products in volume.

In other words, we have put up tariff walls that are isolationist.

When I go over to Europe to discuss the American market and how to cultivate it, as I have done, they think I am giving them double talk. "How," they say, "can we hope to take advantage of your ideas when you have such high tariff walls?"

I am not an out-and-out free trader who would say to American manufacturers and American labor, if you cannot compete with foreign-made goods, go into some other business where you can compete. I do say that we are wrong to build our tariff fences so high that peoples in other parts of the world are hurt and have to trade with nations that are unfriendly to us.

We have hurt England and France, and Belgium, and Holland, and Denmark and Switzerland. We have hurt them terribly by our tariff practices, and no amount of grants and loans will offset that economic pain—only an opportunity to sell in our markets will be satisfactory.

(3) Let industry and labor handle their own negotiations without government interference.

There is too much at stake today in terms of national defense and of the national economy to permit labor relations to operate in an unorderly manner. Some kind of regulation is necessary, but once the rules are laid down the two parties should work out their problems together without outside assistance, and with full understanding that the laws of the land will apply with equal fairness to both sides.

Most negotiations between labor and management are worked out smoothly but labor never forgets one minute that when everything else fails there is Washington to take its side.

Business and industry are not unwilling to submit deadlocks to a third party for adjudication—they just want to be sure that the umpire hasn't got a bet on the other team.

The sooner labor relations is taken out of politics, the better it will be for both labor and management—and for the innocent public that always gets hurt.

(4) Let there be an end to the regulation of profits in competitive business.

In the case of utilities, where the public interest is best served by a monopoly, then I believe the public should be protected against unfair prices. Regulation in that connection makes sense to me. On the other hand, where there is free competition, I am opposed to any regulation of profits by government.

Within the past two years we have seen two instances of profit regulation and the implications are not good in a free and democratic country.

The Excess Profits Tax as applied to corporations was a measure to control profits. It was shown beforehand that the same, and more revenue could be obtained by increasing the base tax and be simpler to administer. Instead, profits were tied to an arbitrary period and when the figure was exceeded the penalty was enormous—now 82%. I say that is bad because it is confiscatory—it has only one objective and that objective isn't revenue, it's control of profits which could lead eventually to nationalization.

Price stabilization is also geared to the profit made in some arbitrarily chosen period. That wasn't price stabilization—that was profit fixing.

What a wonderful way to stifle any enterprise—take away the incentive.

Price stabilization is melting away and maybe the excess profits tax will also disappear next year. In the meantime, we should try to convince the people and the Congress that profit regulation for competitive enterprise is but the first step toward socialism—and I don't think we are quite ready for that in this country—yet.

(5) Honesty in government, especially the administration of internal revenues.

If there is one part of our government that should be without reproach it is the revenue collection departments.

When a crooked revenue official permits a taxpayer to falsify his return, the government loses revenue and that revenue has to be made up by the honest taxpayers.

Businessmen do not like to pay taxes anymore than anybody else but they pay them and their books are an open story of the profits they make. When we pay taxes we want to know that the rules are the same for everybody and that there shall be no exceptions or exemptions or crookedness.

(6) We want an international policy with respect to Europe and not a patronizing paternalistic policy.

For years we have been giving and lending dollars to Europe—billions and billions of dollars. But what our friends in Europe really want is work and self-respect.

To give billions to Europe is not internationalism, it is pauperism—pauperism to them and if kept up much longer pauperism to us.

With America strong financially and economically we can set up a defense for ourselves and our allies that would be unbeatable. But if we continue to give billions yearly to Europe in the hope that Europe will once more save us from being a battlefield, we're bound to end up broke, friendless and battle-torn.

Let us help Europe, by all means, but let us do it in a commonsense manner—in a way that will help them and help us. If we want Europe strong as a buffer against the spread of communism, then we should help it to develop trade and where is there a richer market in all the world than this country?

American business has been trying to help through sharing our industrial and marketing know-how. Teams have come over here and teams of Americans have gone over there. We think this has helped Europeans to understand some of our philosophy of productivity and marketing. But what good will that do them unless they have markets in which to sell the production?

Europe has always needed exports. They are fundamental to the European economy. With strong exports Europeans can buy more from us.

American business wants a smart international policy that helps Europe to rebuild its industries and to stand once more proudly upon its own feet, fighting shoulder to shoulder with us as allies and not as mercenaries.

Such a policy would enable us to run our country without additinal tax drain and deficit.

There are too many things that business and industry would like to bring to the attention of candidates for the office of President for me to discuss in the limited time we have here today, such as:

(7) Less waste and extravagance in the administration of our national government; and

(8) A clean-up of anti-Americans in government offices.

(9) No more deficit financing.

But there is one more to which I would like to devote some discussion.

(10) An understanding of and appreciation by government of big business and a cease fire order.

My company is small when compared to the giants of industry, yet I suppose in any review we would be classed with big business rather than with small business.

We are not ogres out to devour all that we meet. On the contrary, we help to build other businesses. Our suppliers, for instance, number around 15 thousand.

We develop parts, components and units that other manufacturers can use in their products.

We subcontract work wherever we can.

In other words we, and I mean big business, are creative of small business and not repressive to small business.

Many people get the idea that big business is out gobbling up all the little businesses it can in order to reduce competition. If that's what we wanted to accomplish the method would be silly. It would be silly because it would be an invitation for others to come in as fast as one was bought out, so they too could be bought out.

I don't want to apply whitewash to all such transactions but I venture to say that if you trace down a number of such deals you will find that the big manufacturers could have gained the same end by starting from scratch with an organization of their own. That might have cost more money and taken more time but also it might have cost the independent something, particularly if the market were limited.

Under such circumstances did the big fellow do right or did he do wrong to buy out the small fellow?

And after the transaction took place in how many instances were the prices raised and how many reduced? I think you will find that pretty generally the customer benefited in some way.

And, of course, with our inheritance tax laws the small fellow has a hard job anyway of retaining for his heirs ownership of the business. He almost has to sell out.

But, and this is what galls me, the very government that has agents lurking behind every bush to discern some move that might be fraught with public danger, under some unforeseen circumstances, at the first sign of distress rushes to big business to bail it out with men, machines and production.

I don't object to regulating business against practices harmful to the public interest, but I do object to laws or interpretations of laws that say when a business gets so big, it should be chopped down because it wields too large an economic power.

Let's stop being afraid of the big corporations that are probably the most law abiding units of our entire commercial world and make them feel we are proud of what they have done to build this country and to create opportunity.

When the government attacks big business it attacks all business. Small business is healthiest when big business is healthy.

When the government attacks the profit of big business, it attacks all profits.

It isn't possible, in my opinion, to divide business into two or more camps according to size. We are all businessmen and on the whole I think we are a law abiding lot that is contributing to the progress of this country as no other group is contributing—and I wish to Heaven that our government would stop panning us with one hand and panhandling us with the other.

Public Utility Securities

By OWEN ELY

Mexican Light & Power Co., Ltd.

Mexican Light & Power Company is a holding company incorporated in Canada and with European affiliations, whose operating subsidiaries serve Mexico City and adjacent areas. The system, with annual revenues of about $25 million, supplies about half the electricity used in Mexico. Last year about 40% of the output was derived from hydro plants and 44% from steam plants, the remaining 16% being obtained from government-owned hydro plants. The company has enjoyed rapid growth as indicated by the following comparisons:

	1942	1951
Revenues	$11,000,000	$25,000,000
Output (kilowatt hours)	1,113,000,000	2,010,000,000
Capacity (kilowatts)—		
Hydro	224,000	268,000
Steam	30,000	111,000
Federal Hydro	------	123,000
Total	254,000	502,000
Population Served	2,110,000	3,643,000

Formerly the company had a somewhat complex capital structure and because of the financial difficulties of raising funds for new construction, a substantial loan was made by the International Bank and the company was recapitalized in 1950. At the end of 1951 capital structure was approximately as follows:

Funded Debt	$45,000,000	52%
Preferred Stock (853,000 shares)	12,000,000	14
Common and Surplus (1,777,000 shares)	*30,000,000	34
Total	$87,000,000	100%

*Including reserve for contingencies but excluding $21 million intangibles.

Net operating revenues have varied considerably in the past, due in part to substantial dependence on hydro power. Thus, in 1949 only $1,275,000 was reported earned, while in 1950, $2,604,000 was reported and in 1951 $3,246,000. In 1951 the company was favored by a more adequate supply of hydro power, although it was also necessary to operate steam plants practically at capacity throughout the year. In February, 1951, the Federal Power Commission placed in service its Santa Barbara plant, the total generation of which was made available to the company.

The company's major problems have been with rates and wages (the Mexican peso has been stabilized in recent years so that there have been few if any exchange problems). Due to the political strength of the unions, the company has had to grant substantial wage increases without obtaining compensating rate increases, despite an earlier agreement with the Mexican Government which seemed to assure adequate rate adjustments. Howver, the new President of Mexico takes office Dec. 1, and while no substantial change in policy is anticipated, the company may be able to obtain fairer treatment now that the election campaign is over. George S. Messersmith, Chairman of the Board was formerly Assistant Secretary of State and United States Ambassador to Mexico, which experience should prove valuable in seeking a more definite solution of the rate problem. Current earning power is estimated to be less than 4% on the rate base.

With the use of the funds obtained in connection with the recap plan, the company will be able to complete its current construction program next year so far as generating facilities are concerned, and further construction of production facilities will probably be deferred until 1958-59 when substantial steam units may be added. In 1955, however, the company should have the benefit of additional hydro capacity to be constructed by the Mexican Government.

The labor problem is described as follows in the 1951 report: "The relations with the union are still far from satisfactory, due not so much to the attitude of the workers of the company themselves, who in the overwhelming part wish to see the company prosper and function adequately, as they realize that this is in their interest, but due to the arbitrary attitudes of the direction of the union." In other words the union leaders have apparently assumed management powers and refused to cooperate with the company officials. The contract signed early this year gave the company "99 additional non-union posts of confidence," and while the meaning of this is not clear it indicates that a better balance of power may be maintained in internal affairs.

If the company gets a fair deal from the Mexican Government in the matter of rates, it should be able (assuming that working capital has not been impaired) to pay dividends on the preferred stock. Whether payments could also be made on the common will naturally depend on the extent of any rate increases obtained, the adequacy of hydro power, control over inflationary costs, etc.

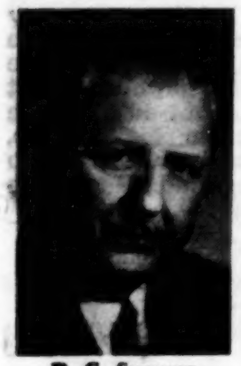
The $1 preferred stock (which becomes cumulative Jan. 1) has been selling recently around 6½ and the common stock around 3½. Approximate price ranges during 1951-52 have been 8¾-4 for the preferred stock and 5-2¾ for the common. $191 a share was earned on the preferred stock and 44 cents on the common last year.

Over Regulation Threatens Private Oil Industry

By P. C. SPENCER*
President, Sinclair Oil Corporation

In commenting on high wages and steady employment of two million workers in privately operated oil companies, Mr. Spencer assails excessive government regulation of competitive industry as "leading to a socialistic graveyard." Says our present system of controls, by fostering collectivism, plays into hands of Russia, and he urges keeping government out of business by relinquishing its controls.

The oil business employs close to two million persons and offers young men and women a choice of more than 4,000 different kinds of jobs with thousands of prospective employers who are in competition with each other. From the standpoint of remuneration, these jobs pay just about the highest scale of wages and fringe benefits.


P. C. Spencer

To cite one example: According to the Bureau of Labor Statistics, average weekly earnings for petroleum refinery workers last year amounted to $84.70, a 142% increase above the $34.97 average paid in 1939. These refinery wages are even more striking when you consider that the average weekly earnings for all manufacturing industries during 1951 was $64.88, or almost $20 a week less than was paid by the oil refiners.

Now I am not implying that all petroleum employees are paid at the same scale as the highly-skilled refinery employees but I do say that, on the average, oil workers are among the highest paid employees in any industry. And here's another thing: Last year the oil business provided much steadier employment than the average American industry. The separation rate, that is, the number of workers out of every hundred who quit or were discharged for any reason whatsoever, was 4.4% for all manufacturing concerns. For petroleum refining it was at the truly amazing low rate of only eight-tenths of one percent.

The National Oil Industry Information Committee was quick to appreciate the importance of keeping career opportunities in the industry attractive and on a high demand basis if the industry is to continue to perform its many obligations to its employees, its security holders, its customers and its country. The Committee established a program in hundreds of high schools throughout the nation designed to interest young people in the petroleum industry and its career possibilities. At the same time the New York District OIIC has been conducting its own youth program for similar purposes in close cooperation with the State Board of Education. The joint efforts of New York oilmen and educators have led to the establishment of a state-wide educational foundation looking toward courses in a variety of petroleum subjects on the college level. All of these activities have helped, and will continue to help, to provide the industry with a growing source of young, aggressive employees with new ideas—the folks upon whom the oil industry of tomorrow must depend to maintain its brilliant past.

In the midst of our jubilation about the wealth of career opportunities in the oil industry, however, we would be less than realistic if we failed to recognize that there are menacing clouds on the horizon which might well change the situation.

Someone has said that this is the age of triumph—triumph in all the arts and sciences, except the art and the science of government. For, the world over, a titantic struggle is going on by those who believe in bigger and bigger government to seize control of the economies — whether you call it Communism, Fascism, Socialism, or statism, the purpose is always the same—to detroy economic freedom and appropriate it for the state.

The greatest threat to the oil industry and to careers in the oil industry, present and future, lies in the consistent and persistent trend toward more and more government control and regulation of the industry. This may add to career opportunities for politicians and bureaucrats but it will not add to career opportunities in oil as we have known them. One can't get very excited about the career of an undertaker or a pall bearer following the corpse of a great industry down the road to a socialistic graveyard. After countless experiments it still remains to be proved that governments can really create wealth or that they can find and produce oil. No, I think it is clear that every step we make toward a nationalized industry we are definitely destroying careers in oil—both present and future, to say nothing of the industry itself or the country which it serves.

Control Threatens Free Enterprise

As I said last May before the API Marketing Division in Boston: When we have had enough government in business for enough time, we shall have lost the thing that really made us great — our free, competitive enterprise system. That has happened in Great Britain and every other place where government controls business. We shall be no exception.

Today all of you know that scarcely a move can be made by a business man with respect to production, wages, prices or sales without official approval from someone in Washington. And when the government controls those features it controls the capacity of an industry to produce, improve its position, make profits, or even to exist. This has been going on for a long time. Life seems to have been one succession of wars, preparation for wars, police actions, and other emergencies requiring extraordinary government controls for a period of over 20 years. And the end is not in sight. One wonders, sometimes, whether emergencies are being created for the purpose of riveting more controls upon business.

One could accept the proposition that these controls are necessary or advisable if one could have any assurance that those at the control boards intend to relinquish their powers at the earliest possible moment. But there is no evidence that they do.

Out of that rises an ironic anomaly: If the Cold War causes us to maintain our present system of government controls indefinitely, the Russians will have won a tremendous victory. They will have saddled upon us a system of collectivism—an ideology akin to their own and therefore no great threat to it. That I would call a master strategy. We will be in the fix the ancient Greek philosopher foresaw when he said:

"Government is like fire, a dangerous servant and a fearful master. Don't throw yourself in its arms. It may consume you."

There are other ways besides extending controls and regulations in which government policies can detract from the lustre of dedicating one's life to the oil business. Certainly a government policy which urges industry cooperation with the right hand to expand the industry at home and abroad for security and other purposes and then beats the industry over the head with the left hand, does not add to the prestige of careers in oil. A classic example of this came with the so-called Madison cases for alleged anti-trust violations.

The "Cartel" Controversy

The same question is raised in the recent decision of the Department of Justice to undertake a special grand jury investigation of seven international oil companies (five of them American) on the charge that they are involved in a giant cartel of some kind. One need not await a decision on the merits, which may be a long time in coming, to conclude that a serious blow has been struck at our oil industry, not only to the five American companies directly involved but to all other companies large or small who have any hopes or ambitions of developing foreign oil production and reserves or engaging in any other phase of the oil business in foreign lands. The risks of developing oil properties and doing business in foreign lands are already tremendous without having our own government apply the bellows to the flames.

The dilemma was aptly put a few days ago by Earle M. Craig, President of the National Petroleum Association, comprising smaller companies in the oil industry, when he said at their 50th anniversary:

"The most recent example of Federal Government intrusion in the oil industry has occurred in the last month when, with great fanfare, some of the larger oil companies are accused of being members of an international conspiracy to dominate world oil trade.

"That is apparently part of a shrewd propaganda technique that this attack is being made for the benefit of small business. However, we of the smaller companies of the industry are not cheered by this act of government, because we recognize that an unjust attack on one company or a group of companies does not help us, but gives us cause for fear that a similar attack may be made upon us.

"These companies are charged with having gone out with their own money to find oil in previously unproductive areas of the world, of developing this production and of winning and keeping for the United State a preeminent place in the petroleum world trade. It is difficult to see how this accomplishment interfered with small business. Certainly no small company has the resources necessary to undertake the development of oil fields in the Middle East.

"However, small companies have up to now been able to export lubricating oils with considerable success and without fear of any oil cartels. As I know from my own experience, the greatest difficulties of lubricating oil exporters in the postwar years have been due to the dollar shortage of European nations. But now the situation has become more aggravated because lubricating oil refineries have been built in Europe with money furnished by our United States Government. It is that government action, rather than competition from other companies or any so-called oil cartel, which gives cause for real alarm."

Government Discouraging Careers In Oil

There are many other actions in government which discourage rather than encourage careers in oil, at least if you are one of those who believe that the oil industry and its future is peculiarly a child of free enterprise. I believe not so long ago someone found that the oil industry was being subjected to about 20 separate investigations by various branches of the government at the same time. And so we see that the attractiveness of careers in oil depends in large measure on the political and economic climate in which the industry works. What can we do to make that climate healthy, wholesome, on the free side?

For one thing, our Oil Information Industry Committee since its organization in 1947 has been doing a lot about it. Certainly a terrific job has been performed by this splendid organization in demonstrating to the American people that the petroleum business is working for their best interests. During Oil Progress Week; during get-togethers such as this; during the entire year, in fact, oil men are telling their story of progress and service by word of mouth, through advertising, over the air, to the schools and in any number of other ways. They are doing no special pleading. They are presenting hard facts in an interesting fashion.

And people are listening in greater and greater numbers. But still, a vast amount of work remains to be done. There is a definite danger that our present efforts, which are primarily educational, may not be enough if we are to attain the basic charter objective of OIIC, and that goal is "to help reaffirm the faith of the American people that their individual interests, as well as those of the nation, in peace or in war, are best served by competitive, privately-managed oil businesses." Not enough people understand clearly that their interests are best served by a free and privately owned industry. Not enough people are aware that their economic freedoms are being whittled away.

Charles E. Wilson, former Director of Defense Mobilization, put the danger most emphatically and most authoritatively when he warned in a recent speech, "The progress of our economy towards Socialization, Nationalization (or whatever other name for big government and little people happens to meet your fancy) is accelerating even while the popular cry has begun to go up against it. **I've seen it and I know it.**"

As we have seen, OIIC has been established and organized for the purpose of disseminating information of an educational nature which will be helpful to the American oil industry as a whole. It was not set up to engage in political campaigns and quite properly so.

It is estimated that more than 80% of our oil industry (third largest in the nation by the way) is owned by thousands and thousand of corporations, large, medium and small.

The corporate form has proved itself to be a convenient and effective means for many millions of people to invest their funds and to engage in the oil business — but the corporate form is not a convenient or effective means to protect itself against the onslaughts of those who would throttle it with government controls and eventually expropriate its properties for the state — it suffers too many legal and other disabilities.

The corporation is not a human person; it can't vote. The corporation is also barred by law from making contributions to political campaigns. (The possible abuses which might result from any other policy make this a wise prohibition, but there are times when it seems almost tragic that a corporation is denied the privilege of defending itself when its very existence and the interests of its stockholders, employees and customers are at stake.)

And last, by tradition, it has not been the fashion for corporations to take part or to take sides in controversial political issues. In my opinion, this rule needs considerable overhauling and revising in the light of conditions as they exist today, but this is neither the time nor the place to go into that.

Private corporations may be inarticulate, unable to vote and prohibited from making political contributions, but the millions of stockholders, employees and friends of these corporation suffer no such disabilities. They can do all of these things and more too, and much more effectively if they can be alerted and organized to do the job.

As you may have suspected this is an election year. This is the year for all of these people to spring into action if they have faith in careers in oil—if they believe that their interests and the interests of the American people are best served by competitive, privately-managed oil businesses.

Business Men Should Take Interest in Polities

Let me conclude with this plea, that each of you in this audience, whether or not you are an oil man, resolve to take a special, informed and active interest in this year's elections. And I urge you to urge all your friends to do likewise.

Many public-spirited citizens and organizations are putting forth a special effort this year to make sure that every qualified voter registers and votes. This is a program of vital importance, but not quite enough. I urge you and your friends with all my heart to go one step further, and that is to **make a thorough study of the issues and of all national, state, city and local candidates in order that you may be properly prepared to make wise decisions.** Having made this study, I urge you and your friends to vote only for candidates —be they Republicans, Democrats or of some other party—whom you believe best equipped to serve our nation in the following ways:

First: To restore the good old Jeffersonian concept that a public office is a public trust;

Second: To keep government out of business whenever and whereever possible and to relinquish government controls over business at the earliest possible date consisten with our national welfare;

Third: To resist every attempt to graft the principles of any alien ideology upon our American free enterprise system.

Many other matters — inflation, excessive taxation, foreign policy and so on—merit your consideration. But if we all keep our eyes on the three main targets I have mentioned, I am confident that we will elect the right men to public office, men who are capable of finding prompt and proper solutions to our other problems.

As American citizens, you and I have a clear-cut duty to perform in November. There is no sidestepping it. It is a year of decision and may very well be a year of destiny. Next year may be too late.

I am not asking you to work or vote for any particular candidate or candidates. Certainly I am not speaking as a Republican or as a Democrat. I am trying to speak only as an American because I think the time has come—is, in fact, long overdue — for every American to speak out.

I fully appreciate that most of you already are giving time and

*An address by Mr. Spencer at the Oil Progress Week Luncheon Meeting, New York City, Oct. 14, 1952.

attention to political matters and to the problems of providing good government for your communities, your states and your nation. That is fine, but won't you please make an extra effort this year?

If we are interested in careers in oil, then we must pay more attention to those who are interested in careers in government.

The matter of choice is yours alone after you have applied the tests that I have suggested. And in the end, if you, and I, and all of us throughout the land make this personal dedication to the American way of life now, then I know that the political security of our country will be safe. It will be safe for us and for our children and our grandchildren. For that, we all can thank God again and again.

J. B. Braithwaite in New York City

John B. Braithwaite

John B. Braithwaite, Chairman of the London Stock Exchange, arrived in New York on the S. S. Queen Mary, Oct. 21, en route to Canada to take part in the Centennial celebration of the Toronto Stock Exchange on Oct. 24.

Mr. Braithwaite is spending two days in New York, during which time he will confer with Keith Funston, President of the New York Stock Exchange.

Ira Haupt Exhibit at Nat'l Business Show

Extending its program to educate the public on the importance of ownership in American industry, Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange, are sponsoring an exhibit at the five-day National Business Show, which opened Oct. 20 at the Grand Central Palace.

The exhibit features mutual funds as an "investment in America." The firm stated that "when you buy a share in a mutual fund, you are buying a share in American industry." Indicative of the part mutual funds are playing in the financial life of the country, a representative of Ira Haupt & Co. pointed out that total net assets of so-called open-end funds have grown from approximately $447,000,000 in 1940 to over $3,500,000,000 currently.

The exhibit includes prospectuses of leading mutual funds, together with general literature on the subject. Representatives of the firm are in attendance to answer inquiries on mutual funds.

In addition the firm is showing two motion pictures: (1) "Opportunity U. S. A.," issued by the Investment Bankers Association, and (2) "What Makes Us Tick," sponsored by the New York Stock Exchange.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

There seems to be a somewhat improved feeling among certain investors and traders in Treasury obligations. This has tended to give the market more buoyancy, which has resulted in quotations showing an improvement especially in the intermediate and long-term sectors which have been under the greatest pressure. Deposit banks, according to advices, have been in the mood to venture out into the higher income obligations. This does not, however, mean they have forsaken the shorter-term, because there is no let-up to speak of yet in the preference for liquidity in government obligations.

Commercial banks, it is reported, have been making new money purchases in quite a few of the higher income eligible issues. There have also been instances in which some of the shorts have been let out in favor of the longer-term obligations. These are cautious operations since they do not yet involve too much volume. The prime bank rate, while still a market factor, seems to be losing some of its momentum, because there appears to be less chance of change with each passing day.

The government market continues to show signs of wanting to do better, even though the volume is still light enough to give it a somewhat professional hue, which has been evident for some time now. There seems to be no vitally important changes in the composition of the market yet, because the short-term obligations continue to hold the spotlight, with corporations the principal buyers of these securities. There has been, however, not an unimportant amount of purchases of these same obligations by some of the commercial banks.

Deposit Banks "Nibbling" at Long Issues

Despite the tight money, which affects the deposit banks more than the other institutions, there are reports that certain of the commercial banks have been making modest commitments in the longer term eligible issues. What significance this may have cannot be indicated immediately, although it will bear very close watching. It is reported some of these institutions have been showing an enlarged interest in the 2⅛s due Dec. 1, 1953, as well as certain of the near maturities of bonds. Then again there are others, according to advices, that are making commitments in the 2⅜s due 1958. This bond appears to be the pivotal issue of the entire market, because there is a good trading market on both sides of this obligation.

Traders and investors alike seem to have a real interest in the 2⅜s, with indications at this time that the buying is of a better quality than the selling. In addition to the commercial banks, there are many non-bank investors that have been operating in this issue.

The other obligations which the deposit banks have been making rather moderate commitments in, according to reports, have been the 2¼s due 6/15/59-62, the 2½s due 6/15/62-67, and the 2½s due 9/15/67-72. It is not believed that there will be any sharp fanning out of these purchases until there is a change in general money market conditions, which cannot be predicted at this time. Nonetheless, the feelings seems to be a bit more prominent now, that money market conditions are not likely to be tightened very much more and there might even be some relief from the current pressure with the passing of the seasonal demand for loans.

This nibbling at the eligible issues by commercial banks seems to be generated by two motives at the moment. One of these seems to be rather basic, namely the report that loans in some instances have been rounding off and, as a result, these institutions in order to protect earnings have been lengthening maturities in Treasury obligations. The other reason given for some of the minor buying which has been going on in the higher income eligible issues of governments is the opinion that the time to acquire these securities is when the pressure is at its peak, because they can be obtained at better prices than when the pressure starts to level off.

Tax swopping seems to have come into its own again, with a larger number of institutions being involved in this operation than has been the case before. These exchanges appear to run all over the list, from the longs into the shorts and vice-versa. There has been a considerable amount of this switching attributed to the out-of-town banks, with many of the smaller institutions now coming into action.

Ineligibles Moving Slowly

The ineligible issues do not appear to have as much of a cushion under them in the form of potential buyers as do the bank obligations. To be sure, this could change over night, but non-bank investors seem to have too many other available sources into which they can channel funds and do not appear to be too much concerned yet about the longer-term Treasury obligations. There has been, however, some minor buying in the earlier tap bonds by private pension funds, but this has been mainly at specific prices with no tendency to make compromises on quotations in order to obtain them. State funds continue to be modest buyers of the highest yielding taps. Savings banks are still on the sell side of the market, with both the shorts and longs being let out in not too large amounts in order to meet the demands of other commitments.

Continued from page 2

The Security I Like Best

almost be defined as the solving of engineering problems through electronic analysis. Problems are what Telecomputing's management are asking for.

It would be less than the truth to say only that Telecomputing is on the threshold of important growth. It has gone through the gateway and has committed itself to keep moving. In the words of Mr. Bemen in his first half report to stockholders, "We can now, for the first time, see clearly delineated the specific avenues we must pursue. Making due allowance for difficulties which have not yet beset us, I venture to express great optimism as Telecomputing Corporation enters the second half of its first decade."

How High Is Up?—Mr. Beman's intent, when he used those words, would not have to be twisted very much to imply that the President of the company himself thinks that investors who bought the stock at 5⅞ may have been more lucky than smart. A year and one-half ago, Mr. Beman acknowledges, the company itself didn't quite know where it was going. As in the case of I. B. M. in 1921, investors were in the position of watching an almost imperceptible sprout come out of the ground and wondering whether it was a blade of grass, or a redwood, or something in between. Now the sprout has grown into a young sapling, and you don't have to be much of an investment botanist to identify it. Notice first, that its top branches are sticking well out of the underbrush of which it was recently a part. Then come up close and examine the characteristics of trunk, branch and foilage that unmistakably mark the species. Eighteen months ago you had to be lucky or uncommonly courageous to buy Telecomputing and stay with it. Now you don't have to be either. All you have to be able to do is recognize a Sequoia when it is very young. And up, for a five-year-old Sequoia, is a long way.

GORDON D. GREGORY

Manager, Bank Stock Department, Swift-Henke & Co., Chicago, Ill.

First National Bank of Chicago

Bank stocks, in my opinion, represent the aristocracy of the equity investment field and since banks are an integral and essential part of our economy, they will continue to grow with the expansion of our national economy.

Gordon D. Gregory

The First National Bank of Chicago, because of exceptional accomplishments over the past eighteen years, represents the security I like best.

Edward Eagle Brown was elevated to the Presidency in February of 1934. At this time, deposits were $582,000,000 and capital $25,000,000. Today with deposits of $2,322,000,000, First National Bank is the sixth largest in the country, and the largest operating without branches. Edward Eagle Brown immediately inaugurated a policy of building substantial interior reserves, and each year since, all recoveries on charged-off items, together with a part of current earnings have been added to interior reserves.

During the past 10 years, through the payment of several stock dividends, capital has been increased from $30 to $90 million. This was accomplished entirely from earnings without stockholders purchasing any additional stock. In 1942, stock sold below 200 and each share is now represented by three shares worth 250 each, an appreciation of 275%. The annual cash dividend rate of $8.00 per share has been paid throughout this period, so that for each share purchased in 1942, a stockholder is now receiving annual cash dividends of $24.00 or a yield of 12%.

In December of 1942, First National had capital funds, excluding reserves, of $83,156,000, which in December of 1951 had increased to $174,386,000, an increase of $91,230,000; dividends of $44,000,000 were paid during this period, making a total of $135,230,000; this is equal to earnings of $19.37 a share per year for the nine-year period on the present capital of $90 million, or $24.48 per share based on the number of shares outstanding at the end of each year. These earnings do not include the substantial interior reserves which have accumulated during these many years and which are now the largest they have ever been.

First National is the only one of the larger Chicago banks to operate a consumer credit department handling small loans, auto loans, loans for modernization and repair and loans to small businesses, which department was recently opened.

There are other banks such as Bank of America NTSA in California, which have had a tremendous growth in deposits during the past 10 years, but it must be remembered, that Bank of America covers the entire state of California, with over 500 branch offices, and the growth in population in California has been much greater than in the Middle West. The operations of First National Bank of Chicago are conducted under one roof, as branch banking is prohibited in Illinois.

Many years ago, the commercial banking department was divided into divisions, and today there are 10 divisions. Each of these is staffed with from one to four Vice-Presidents, in addition to subordinate officers. This system has proven most efficient. First National also offers the most complete banking service in Chicago.

In January 1945, Edward Eagle Brown became Board Chairman and Bentley G. McCloud was advanced to the Presidency. Homer J. Livingston became President in 1950 following the retirement of Bentley G. McCloud. With this management working with the many top flight officers throughout the bank, First National should continue to establish records. If "Oscars" were awarded for outstanding bank management, Edward Eagle Brown would certainly be one of the first to receive one.

Although First National shares have advanced substantially during these years, I believe they should continue to enhance in value year after year and stockholders can expect to receive stock dividends from time to time as earnings and growth justify.

With J. H. Goddard

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Richard F. Canton has become associated with J. H. Goddard & Co., Inc., 85 Devonshire Street, members of the Boston Stock Exchange. He was formerly with Coburn & Middlebrook, Inc., and J. Arthur Warner & Co.

Rejoins Courts Staff

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Elise A. Davis has rejoined Courts & Co., 11 Marietta Street, N. W., members of the New York Stock Exchange. Miss Davis has recently been with R. S. Dickson & Co., Inc.

Paine, Webber Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Thomas J. Fagan has been added to the staff of Paine, Webber, Jackson & Curtis, 626 South Spring Street. He was previously with E. F. Hutton & Company.

James H. Walraven With Dempsey-Tegeler & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—James H. Walraven has become associated with Dempsey-Tegeler & Co., 210 West Seventh Street. He was formerly with Morgan & Co. and prior thereto with Buckley Brothers and Walston, Hoffman & Goodwin.

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As We See It

was at great pains to give an impression of great independence from Washington and the Administration.

Foredoomed to Failure

But, of course, any such strategy was foredoomed to failure. It was not in the cards in any event. Moreover, those who had conceived the idea reckoned without Mr. Truman, who had no intention of being repudiated, and who, so it is said, was and still is somewhat disturbed about his "place in history." It did not take the Chief Executive long to tell the world in no uncertain terms that he and his record were the issues of the campaign, were indeed the only thing the party or Mr. Stevenson had to run on. If there were any realistically minded men in the country who took these words lightly, they must have become quickly disillusioned when Mr. Truman launched upon his "give-'em-hell," whistle-stop campaign. Since that time, whether by design or not we do not know, even Mr. Stevenson, the independent, has tuned his fiddle to Mr. Truman's fork. There can no longer be any doubt in any one's mind that Truman is a vital, if not the key, issue of this campaign.

To those who are hesitant about the matter let Senator Byrd speak:

"After Governor Stevenson was nominated, the thought was expressed that, as the candidate of the Democratic national party, he would assert an independence of thought and action and would give assurance that, if elected, he would change the course of Trumanism, a continuation of which, in the minds of many people, means ultimate disaster. I had that hope myself.

"I have looked in vain for any signs of such independent action.

"To those who say that Governor Stevenson will reform the Democratic party from within and will change the trend from Trumanism, I ask that one single measure be named wherein there exists a difference on fundamental policy between Mr. Truman and Governor Stevenson."

It has become a habit of Democrats to run against Harding, or Hoover, or, in still more recent times, against Senator Taft. This may or may not have been, or be, a good political tactic, but it has never had and has not today a semblance of logical basis on which to rest. The Republicans may not be really "running against Truman," but they are in a very real sense running against Trumanism. Let there be no mistake about that.

And precisely, what is Trumanism? Again let the senior Senator from Virginia supply the answer:

"The Trumanism I have opposed, which may be summarized in brief, represents the usurpation of power by the Executive, as exemplified by the seizure of the steel plants by the President, later declared illegal by the Supreme Court; the trends to socialism advocated by Mr. Truman, such as the Brannan socialized farm plan and the Ewing socialized medicine plan; his continued effort to concentrate more and more power in the Federal Government; the inefficiency of administration and profligate spending of the Truman Administration, which has given our Government a fiscal irresponsibility such as we have never know before; such measures as FEPC, which would invade every man's business and deny the right of an employer to decide who to employ, hire or fire in his private business; and the repeal of the Taft-Hartley Act, which would make the great labor leaders more powerful than the United States Government; high and oppressive taxes which Mr. Truman did his best to make higher without any real effort to eliminate the unbelievable waste that exists in nearly every branch of the Federal Government.

"Trumanism, I say, cannot be defined by any particular program, as bad as it may be, but Trumanism is a definite, precise trend towards socialism and away from free enterprise system. In brief, Trumanism is contrary to the basic principles upon which America was founded and upon which it has grown great."

For our part, we do not understand how any American with the good of his country at heart can fail to be against Trumanism.

Now, of course, it has been the strategy of the Democratic campaign from the first to run against what might be termed "Old Guardism." Of this type of philosophy, so it is said, living exemplifications are to be found in ex-President Hoover, Senator Taft, Senator Dirksen, Senator Bricker, and a few of their friends and associates. We have not always agreed with these estimable gentlemen, and we have had occasion more than once to differ with policies and programs of the Republican party in years past. We have no hesitancy in saying, however, that we should be more enthusiastic about the present Republican ticket if at points at least it had not less but more of some of the good old Americanism which used to be part and parcel of Republican credo and is now part and parcel of the political thinking of some of the party's stalwarts.

But the fact is, of course, that it is rather worse than folly, in light of all that has taken place, to say that the so-called "reactionary elements," the Old Guard, if you will, in the Republican party now stand amid the shadows and pull the strings which govern the movements and the behavior of their candidates this year. It would be futile to deny that the Republican party, like the Democratic party, is split down the middle, and has been for years, even decades, past. The split has become more pronounced in recent years, and several elections have shown the difficulty, if not the impossibility, of one or the other of the divergent elements leading the party to power when ignoring or offending the other.

Eisenhower, Not Taft or Dewey

General Eisenhower, a man of proved ability in bringing warring elements together and persuading them to work in harmony, has apparently made a great effort to revitalize the Republican party and enable it to function as a single, unified organization once more. Precisely how well he has succeeded, remains for the future to disclose, but it would appear that he has made very real progress —much to the dismay of his opponents. Just what the terms of any amalgamation of forces were we, of course, do not profess to know. Mr. Eisenhower, himself, says he has made no "deals." We suspect that what he has done is to formulate a working arrangement, which he intends to carry over into office in support of programs the precise nature of which is yet to be formulated— which seems to us to be a workmanlike mode of procedure.

What is certain is that this contest is Eisenhower (not Taft or Dewey) vs. Trumanism.

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How Stable Is the Economy?

managements and consumers. Let us examine first the weak spots in the economy and then the strong spots.

(1) **The large increase in automatic savings brought about by the recent increase in private pension funds.** It is estimated that the receipts of private pension funds are exceeding their disbursements by over $2 billion a year. This excess of receipts over disbursements will change rather slowly. It will be somewhat affected by business recessions because receipts are partly based on the size of payrolls and because recessions will bring about some retirements that have been deferred and thus increase disbursements from pension funds. Nevertheless, for some time to come, private pension funds will be taking in considerably more than they are paying out in pensions. These investment-seeking funds may prove quite deflationary in periods when the demand for investment-seeking funds is dropping.

(2) **The large increase in corporate and personal indebtedness.** Corporations and individuals have been going into debt much too fast. The increase of net private debt was $30.8 billion in 1951, $36.4 billion in 1950, and $136.4 billion since the end of 1945. Between the end of 1945 and the end of 1951, net private debt virtually doubled, while the money value of the national product increased about 53%. In 1945 the country had about 65 cents of private debt for every dollar of annual product; in 1951, it had almost a dollar of private debt for every dollar of annual product.

Between the end of 1945 and the end of 1951, state and local governments increased their indebtedness by nearly $10 billion. Only the Federal Government has been reducing its debt. By the end of 1951, the gross debt of the Federal Government stood about $22 billion below the end of 1945 —a drop of about 8%. The Federal debt has recently begun to rise and will probably continue to rise for several years to come. In view of the large amount of uninformed discussion one reads and hears about Federal finances these days, it is worth noting that while business, individuals, and state and local governments have been increasing their debts, the Federal Government has been cutting its debt.

It is important to see clearly just how and why the volume of debt creates problems. There is no doubt about the capacity of the country to pay the interest on its present debts, or even on a much larger volume of indebtedness. As a matter of fact, despite the rapid rise in business and personal debts, the *total* indebtedness of the country, public and private, is smaller in relation to the net national product than it was at the end of the Second World War. While the money value of the national product has been rising about 53% (as it did between 1945 and 1951), the total indebtedness of the country, public and private, has increased only about 30%.

The problem created by debt arises from the effect of annual repayments of the debt on the demand for goods during periods of business contraction. This problem occurs primarily in connection with private indebtedness, not public indebtedness, since public bodies can avoid the deflationary effects of repayments in periods of contraction by incurring new debts to pay off old ones. But business concerns and consumers cannot as a rule meet repayments out of new borrowings—or at least, they are unwilling to do so. This means that in periods of contraction repayments of private indebtedness by some firms and individuals will accentuate the drop in the total demand for goods unless these repayments are offset by new borrowings by other firms and other individuals. Some new borrowing, of course, goes on even in years of contraction. Once private debts become quite large, so that the annual repayments also become quite large, it becomes extremely difficult in periods of contraction to persuade other firms and other individuals to borrow enough to prevent a net drop in the volume of indebtedness and, therefore, to prevent repayments from producing a net drop in the demand for goods.

This brief analysis shows you the yardstick that should be used in determining whether the volume of indebtedness has become too large. It is not enough that the interest can be easily paid or that the principal can easily be repaid when due. The test is whether the repayments have become so large that they exceed the amount of new borrowing that is likely to occur in a period of contraction. After that point is reached (and perhaps even *before* it is reached) further increases in private indebtedness should be regarded with considerable disfavor and should be discouraged.

No one knows, of course, just how much new private borrowing can be induced in a period of contraction. That depends, among other things, upon the severity of the contraction. Hence one can only make a rough guess as to when the repayments on private indebtedness have become large enough to aggravate seriously the problem of controlling recessions. It is obviously not essential that repayments of private indebtedness be offset solely by private borrowing—new public borrowing will do just as well, provided the borrowed money is promptly spent. But the amount of public borrowing which the community is willing to do and the amount of borrowed money it can promptly spend in a period of recession are limited. At the present time, there are many people who are concerned about the size of the Federal debt and who would be disturbed at seeing it rise very rapidly in a period of recession. The more reluctant the country is to see a rise in public borrowing and spending in periods of recession in order to offset repayments of private debts, the more the country should be willing to limit the increase of private indebtedness in periods of boom.

The annual repayments on the present volume of private indebtedness have become large enough so that it will be difficult to offset them in a period of moderate or even mild recession. Consequently, the time has come to discourage vigorously any further increases in net private indebtedness—not indefinitely, but for at least several years until the country has had time to grow up to its present debts. I cannot offer you a precise estimate of the volume of annual repayments, but they must be quite large—particularly in view of the many term loans providing for annual repayments over ten years or less, the large volume of mortgages which are being amortized over a 20-year period or less, and the large volume of consumer indebtedness outstanding. One of the figures that is badly needed in the statistics issued by the Department of Commerce is an estimate of annual debt repayments.

Of special interest is the problem created by consumer indebtedness which many retailers and others argue is not too large. The holders of the view that the present volume of consumer indebtedness is not too large labor

under the mistaken belief that the question of the safe size of consumer indebtedness depends mainly on the ratio of such indebtedness to disposable incomes and on other tests that determine the soundness of individual credits. At the present time instalment loans alone are so large that repayments on them are running well over $8 billion a year. New instalment loans are running slightly larger than this, so that the total is still increasing. It is not likely, however, that new instalment loans could be made at the rate of $8 billion a year in a period of recession. In the year 1948, new instalment loans made by the principal types of lenders were $5.9 billion; in 1949, $6.5 billion; in 1950, $7.6 billion. Hence a fairly substantial contraction in the outstanding volume of instalment loans is likely to accompany a recession. Consequently, during the next year, when the level of business will be high, every effort should be made to prevent a further rise in the volume of consumer credit. Such an increase would simply lay the foundation for trouble in a year of recession.

Repayments on real estate loans can also be troublesome. It is argued that the payments on these loans (plus taxes on the house) are not much larger that the amounts that people would be paying in rent, had they not become home owners. Hence, it is said that the effect of repayments on mortgages is negligible. This is not quite true. Payments of rent, of course, are often used to pay interest and to repay part of the principal of a mortgage on the house, but to a considerable extent rental payments are a return on the owner's equity. To that extent they are likely to be regarded as current income and to be currently spent by their recipients. Repayments of the principal on real estate loans, however, are regarded by their recipients as repayments of capital. They do not form the basis for current expenditures, but the basis for new investment-seeking funds. Hence, if a drop in the general level of business produces a shrinkage in investment opportunities, repayments of real estate loans will be deflationary. Consequently, the next year or so is the time when further increases in the total outstanding volume of real estate loans should be vigorously resisted.

(3) **The fact that the maturities of E bonds will be considerably smaller in 1955 and 1956 than in 1953 or 1954.** During 1953 and 1954, when defense expenditures are at their peak, business will be sustained to a substantial extent by the large maturities of E bonds which will rise from about $3.3 billion in 1952 to about $5.1 billion in 1953, and $5.7 billion in 1954. In 1955 and 1956, however, just when defense spending is expected to be dropping, the E bond maturities will also drop. Of the E bonds now outstanding, there are maturities of $4.4 billion in 1955 and $2.2 billion in 1956. To the extent that the owners of maturing E bonds continue to hold E bonds or reinvest their money in the new H bonds, K bonds, or in other securities, or use it to pay off debts, the timing of maturities creates no problem. To the extent, however, that the owners use the money from their maturities to buy houses or consumer goods, the timing is unfortunate because it tends to increase the demand for houses and consumer goods at the peak of defense spending and to reduce this demand at just about the time defense spending drops.

(4) **The fact that a high rate of expenditures on plant and equipment has pretty well supplied the country with new and efficient producing capacity.** Ever since the end of 1945 the country has been experiencing one of the biggest booms in the construction of industrial plant and equipment in its history — perhaps the biggest boom. I use the word "industrial" in the broad sense to include agricultural as well as non-agricultural industries. Total outlays on plant and equipment from the end of 1945 through the first half of 1952, expressed in dollars of 1952 purchasing power, were about $214 billion. At the end of 1945 the reproducible plant and equipment of all American industry represented an investment less depreciation of about $244 billion, expressed in dollars of 1952 purchasing power. This figure does not include inventories or undeveloped natural resources. Hence the expenditures on plant and equipment during the last six and a half years have been about 88% as large as the total investment in plant and equipment less depreciation at the beginning of the period.[3]

The recent huge expenditures on plant and equipment have followed a 16-year period marked by the great depression and the war during which time the plant and equipment of American industry were being replaced only about as rapidly as they were wearing out—in some years not even that rapidly. As a result, the investment in plant and equipment less depreciation when expressed in dollars of constant purchasing power was scarcely any larger at the end of 1945 than at the end of 1929—though in the meantime the population of the country had increased by 18 million, or nearly 15%, and the civilian labor force by 4.7 million, or over 9%. As a result of the high average age of industrial plant and equipment at the end of the war, nearly 59% of the expenditures on plant and equipment during the last six and a half years have been needed to offset depreciation and obsolescence. The investment in plant and equipment less depreciation expressed in 1952 dollars has increased from $244 billion at the end of 1945 to $335 billion in the middle of 1952, or about 37%.

Population and the civilian labor force, of course, have been increasing too. Between the end of 1945 and the middle of 1952, when investment in plant and equipment rose 37%, population increased almost 13% and the civilian labor force a little more than 13%. If one compares the pre-war year of 1939 with the middle of 1952, one finds that the investment in plant and equipment less depreciation expressed in dollars of constant purchasing power has increased nearly one-third, while population has increased nearly 20% and the civilian labor force nearly 14%. The most important comparison is between the years 1929 and 1952 because this comparison shows the effect of *both* the depression and the war. This comparison shows that the large outlays on plant and equipment during the last six and a half years have just about restored the relationship between plant and equipment on the one hand and population and labor force on the other hand that existed 23 years ago. Investment in plant and equipment less depreciation has increased by about 34%, when expressed in dollars of constant purchasing power, population by nearly 30%, and the civilian labor force by 28%. The growth of plant and equipment has been little more than the growth in population and labor force.

Since there is a long-run tendency for plant and equipment to grow relative to population and the labor force, plant and equipment per capita of population and per member of the labor force are probably still a little below long-term trends, but not very much. At any rate, it will not be easy for the scientists and the engineers to develop enough new investment opportunities to bring about a net increase in plant and equipment of $13 billion or $14 billion a year. That would be a rise of about 4%. The labor force is growing at roughly 1% a year. Of course, with the consumption of plant and equipment running at the rate of about $20 billion a year, the demand for plant and equipment will always be large. Nevertheless, we shall do well after the defense plants have been built to keep the total expenditures for plant and equipment (new and replacements) much above $30 billion a year. It is now running about $36 billion a year.

(5) **The fact that the number of new housing starts has for several years been substantially outrunning the increase in the number of families.** Residential construction was low during the depression and the war, so that the wartime and postwar marriages created an acute housing shortage. The shortage was aggravated by the high level of employment and incomes and by rent controls. Between the beginning of 1947 and the end of 1951, however, the number of dwelling units increased by over 6 million, while the number of families increased by about 4.3 million. In 1952, the increase in the number of dwelling units will be about 50% greater than the increase in the number of families.

A high demand for houses may be expected to last for a considerable period of time, because many people have a strong preference for living in detached dwellings that they own, because more and more people prefer to live outside congested districts, and because the monthly out-of-pocket cost of living in one's own home and paying installments on a mortgage is little greater than paying rent. Nevertheless, now that the housing shortage in most cities is no longer acute, it will not be easy to find a market for 1.1 million or 1.2 million dwelling units a year. One dare not expect the experience of 1949 to be repeated. At that time the demand for houses was so great that it was affected very little by the small drop in employment, and for the year as a whole more residences were started than in the previous year. From now on, the demand for houses will be considerably more sensitive to any drop in employment and incomes that may accompany a contraction of defense spending.

IV

What are the principal elements of strength in the economy?

(1) **The large volume of liquid resources.** The Second World War, as is well known, saw an enormous expansion in personal holdings of liquid assets. These holdings, exclusive of trust funds, increased from about $45.1 billion at the end of 1939 to $138.6 billion at the end of 1945. They have continued to increase since the end of 1945, and at the end of 1951, stood at $156.8 billion. In the two years since the outbreak of fighting in Korea, personal holdings of currency and bank deposits grew by $6.7 billion, and holdings of savings and loan shares by $4.1 billion. These gains were partly offset by a drop of $2.1 billion in personal holdings of U. S. government securities. During the last two years there has been a fairly sizable rise of $3.5 billion in semi-liquid assets, such as corporate securities, state and local government securities, credit union shares, and other semi-liquid assets. Individual holdings of liquid assets are smaller in relation to personal incomes than they were at the end of 1945, but they are still very large. They are an important stabilizing influence because the possession of substantial liquid assets tends to make persons keep up their expenditures in the face of falling incomes.

(2) **Fairly well developed arrangements for partly maintaining many personal incomes in periods of contraction.** During the last 20 years the country has greatly improved its arrangements for assuring that any drop in incomes from production is partly offset by other forms of income, such as unemployment compensation, pensions, old-age assistance, or general relief payments. Such forms of income come into existence only because of contraction, and they fall substantially short of offsetting all of the loss of income from production. Hence, these forms of income can only mitigate a recession—they cannot prevent one. Their mitigating influence, however, is important. The arrangements that have been added to the economy in the last 20 years to provide income to persons who lose their jobs assure that the loss of income from a recession would be offset to a greater extent than ever before.

Of special interest is the spread of pension plans. In the event of a moderate recession, I suspect that many firms will adjust their work forces to a drop in demand by retiring older workers who have now passed the pensionable age rather than by laying off younger workers. I am not sure that this will be a desirable arrangement. Certainly it will introduce many new problems. The fact that fairly liberal pension arrangements now exist in a great many plants, however, is bound to cause managements to make greater use of retirements as a method of cutting the labor force when the demand for labor drops.

(3) **Some backlog of unmet needs.** The great deferred demand of individuals and business enterprises that accumulated during the Second World War has been pretty completely met. There is no reason to expect that deferred demand for automobiles, houses, and even industrial equipment will mitigate a new recession, as it did in 1949. In the field of public construction, however, roads, schools, hospitals, water supply, sewage, and other public works, the unmet needs are still enormous. In fact, they are probably larger today than they were a few years ago. Certainly the car and truck population has been increasing faster than the capacity of roads. At the end of 1950 there were 50% more passenger cars and trucks registered than at the end of 1940. Likewise, the population of school age has been increasing faster than schoolroom space. It takes time to make expenditures on public works because there usually is more or less disagreement about just what to do and where to build the new roads or new schools. The process of planning and reaching agreement has been going on steadily. It seems certain that for several years more, at least, states and localities will spend increasing amounts on various kinds of public works. These will help offset the drop in defense spending.

(4) **Recent important gains in the capacity of the economy to create new investment opportunities and new and better consumer goods.** Perhaps the most important thing that has been going on in the American economy in recent years is the enormous boom in science and technology. This boom goes back at least 50 years, but it has been particularly strong in the last 20 years. It is indicated by the fact that the number of scientists, technicians and engineers in industrial and government research laboratories is nearly five times as large today as in 1930. The country is doubling the number of chemists every 15 years and the number of physicists every eight years. Total expenditures on private and governmental research (not counting the large outlays on atomic energy) were seven times as large in 1947 as in 1930, and they are much larger today than in 1947. Technological research has, of course, been enormously stimulated by the Korean War, the defense program, and the keen military competition with Russia — despite the fact that the bad personnel policies of the armed services have aggravated the shortage of scientific and technical personnel by unnecessarily interrupting the training of many men.

No other country, except perhaps Russia and Canada, has experienced such a vigorous boom in science and technology as has the United States. This boom has greater economic significance than you might expect. Not only does the larger volume of industrial research mean that industry is better able than ever to increase the output of goods—it also means that industry is better able than ever to increase the demand for goods. Research increases the demand for goods in two ways. In the first place, it increases directly the number of investment opportunities by developing new and superior kinds of equipment, new processes, new ways of making things. In the second place it helps industry offer consumers new and more attractive goods thereby helping industry induce individuals to spend a little larger proportion of their incomes on consumption.

A rise in the proportion of incomes spent on consumption is quite important. Not only does the resulting rise in consumption increase the number of investment opportunities, and thus raise the amounts spent on investment goods, but it also raises the secondary effects on demand of every dollar spent on investment goods. It is obvious that the increase in demand that results from someone's decision to invest a dollar is not limited to the one dollar of additional demand for investment goods which is thereby created. The recipients of the dollar spent on investment goods spend most of the dollar on consumption, and the recipients of the part of the dollar spent on consumption spend most of their additional income on consumption, and so on indefinitely. It is plain that the larger the proportion of any increase in income which each recipient spends on consumption, the larger are the secondary effects of the original rise in spending which created the original increase in income. Hence, the success of industry in persuading people to spend a larger part of their income on consumption raises the secondary effects on demand of every dollar spent on investment.

The rise of applied science and technology in the last 20 years places American industry in a far better position than ever before to fight recessions because it puts the demand for goods to a greater extent than ever before within the control of industry.

(5) **The strong spirit of caution that dominates decision-making by managements and consumers.** Both managements and consumers wonder what will happen when defense spending drops, and both fear a recession. This makes them cautious. The caution of managements is reflected in the reduction of inventories during the last year in retailing, in wholesale trade and in the manufacture of non-durable goods — in short, in all branches of business except the manufacture of durable goods where the rise in inventories dur-

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[3] The estimate of investment in plant and equipment that I have used, which is made by bringing down to date the estimate of Kuznets for 1938, is probably somewhat too large. At any rate, this seems to be indicated by later research which has not yet been published.

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How Stable Is the Economy?

ing the last year is explained by the expansion of military production. In August, 1952, retail inventories were 10.4% below a year ago, wholesale inventories 7% below, and inventories in the manufacture of non-durable goods 1.5% below. Part of these drops was attributable to the small decline in the wholesale price level, but most of it represented a drop in the physical volume of inventories.

Caution among consumers is much less pronounced than among businessmen. Nevertheless, personal savings are still fairly high in relation to incomes after taxes. It should be noted, however, that during the last 15 or 18 months there has been a marked rise in the disposition of consumers to buy. Between the second quarter of 1951 and the second quarter of 1952, the annual rate of personal incomes after taxes increased by $8.3 billion, but personal consumption expenditures increased by an annual rate of $10.4 billion. The diminishing caution of consumers is reflected also in the sharp rise in consumer credit during the last year. Consumers show no disposition to reach for goods, but the tendency for people to raise their spending for consumption faster than their incomes go up should be discouraged, at least during the next year or so.

V

The foregoing analysis makes plain that the drop in defense spending is likely to begin when normal business trends are downward and is likely to aggravate the contraction. Consequently, the country needs to make careful and ambitious plans to prevent or limit these effects. Furthermore, the country needs to begin making these plans and executing them at once and without regard to whether this or that special interest group likes the plan. Next only to the problem of working out a satisfactory foreign policy for the country, the problem of how to prevent or to mitigate a recession when defense spending drops will be the biggest problem of whoever shoulders the terrific responsibilities of the Presidency next January. Indeed, the development of a satisfactory and successful foreign policy and the avoidance of recession as defense spending drops are closely related because even a moderate recession in the United States would have far-reaching repercussions throughout the world and would be a serious setback to our foreign policy.

What can the United States do to limit or prevent a general recession in business as defense spending drops? Some of the steps can best be taken by government; others can be taken by business. I shall not attempt to list the two kinds of steps separately, but I shall indicate briefly some of the most important ones.

(1) Keep the plateau of defense spending as low as national security permits.—The country badly needs arrangements by which the defense program can be critically reviewed from time to time in a responsible fashion by the Congress. Throughout the last two years the Executive Branch of the Government, including the Armed Services, has been far from frank. Production goals and schedules for defense goods have been proclaimed and the country has been told that national security would be imperiled if these schedules were not met. The schedules proclaimed in the early or middle months of 1951 have not been even remotely met. In July, 1951, the country was informed by the Council of Economic Advisers that defense spending would be at the annual rate of $64 billion in the first quarter of 1952. In that quarter defense spending was at the annual rate of $46 billion — $18 billion less. And yet, no matter how far reality fell short of the schedule previously announced as necessary for security, the country has always been told in the quarterly reports of the Director of Defense Mobilization that the defense program was going fine, and that the security of the country was being built up at a satisfactory rate. In view of the lack of frankness which has characterized the setting of defense goals and schedules, I do not hesitate to ask whether the plateau of defense spending (including foreign aid), which has now been set as necessary, namely, between $60 billion and $65 billion a year, really is necessary. Perhaps it is, but the country has not been told why.

The advantages of a lower plateau (say around $55 billion a year) are substantial. The lower plateau would mean that the ultimate drop in defense spending would come later and be smaller. It would mean buying less equipment that will almost immediately become obsolete. It would mean that the cash budget for the present fiscal year would be in balance, or virtually in balance. Since a major problem of the new Administration will be averting or limiting a recession when defense spending drops, it is appropriate that the new Administration address itself quite promptly to the plateau problem and decide whether a lower and longer plateau is not compatible with our national security and our foreign policy.

In discussing the problem of averting a recession, however, I shall continue to assume that the drop in defense spending begins late in 1954 or early in 1955, and that the plateau is about $60 billion a year.

(2) **Liberalize unemployment compensation and pension plans.** I do not suggest across-the-board liberalization because there are many cases where the ratio of benefits to customary earnings is too high. But there are also many cases in which it is too low. Such cases are found among the higher paid workers. In order to get the maximum stabilizing effect from unemployment compensation and pension plans, the benefits should be as high relative to customary earnings as will not undermine the will to work.

(3) **Resist strongly for the next year or two further increases in the total volume of corporate and personal indebtedness.** I have already explained why a pause is needed in the rise of private indebtedness. During the next year the rise in the indebtedness of the Federal Government will probably be sufficient to provide the country with the increased money supply required by the growth of the physical production. Some rise in private indebtedness may be inevitable, particularly if unions raise labor costs by pushing up wage rates faster than the increase in output per man-hour. A rise in labor costs and prices will increase the need for working capital. Corporations can mitigate the tendency for the repayments of debt to aggravate recessions by replacing part of their indebtedness with equity securities and funding part of their short-term debts. The tremendous demand for capital during the last several years has pretty much precluded such replacement or funding. If, as seems likely, there is a drop in investment over the next two years, the opportunity should be used to pay off debts with funds from new equity issues or to fund short-term debts.

(4) **Plan a large program of toll roads and start and expand construction of them as defense spending drops.** The nation is now wasting huge sums on a poorly planned road program. Because of failures to distinguish between the needs of local traffic and through traffic, roads which should serve through traffic are permitted gradually to be converted into congested business streets by allowing business establishments to grow up on the sides of the road. This has happened on such a large scale that the nation lacks an adequate system of through roads. The nation needs business streets, and it also needs through roads, but where traffic is heavy the two uses do not mix — they conflict. Furthermore, the nation has too long uncritically followed the socialistic principle of the government's constructing roads and offering them free to whoever cared to use them. That method is inevitable in the case of local traffic, but it is not inevitable in the case of through traffic.

The strong and growing demand for roads well adapted to through traffic means that sufficient toll revenue could be collected on a considerable mileage of new limited-access highways in the East, Northeast, and parts of the Middle West, South, and Far West to pay maintenance costs and to amortize bonds issued to pay for the highways. Hence the demand for through-traffic roads creates an investment opportunity which can do much to offset the drop in defense spending. The new Administration should lose no time in planning a substantial expansion of toll roads to be under construction on a large scale early in 1955.

(5) **Step up industrial research to increase the volume of investment opportunities and to induce consumers to spend (or to attempt to spend) a larger proportion of their incomes on consumer goods.** This is the principal contribution that business can make toward averting a recession as defense spending drops. It is by far the most important of all the possible anti-recession steps. It may seem strange to suggest that research be stepped up when it is already being quite generally conducted under considerable pressure and is being hampered by lack of personnel. Furthermore, research has to be planned well in advance and it cannot be expected suddenly to produce new products, new methods, or new materials in response to a demand or need for them. Nevertheless, there is some good in its being known that late in 1954 or early in 1955, or even before, there will be a considerable need for new markets and that enterprises which are prepared to offer important improvements in their products or important new products will profit greatly. A general attempt to get ready for buyers' markets will go far to prevent buyers' markets from coming into being.

(6) **Cut taxes.** This is the biggest contribution that the government can make toward averting or limiting a recession. In the present fiscal year the cash budget of the Federal government will probably be in the red by a moderate amount. It will probably still be in the red in the fiscal year 1954-55—the year in which the drop in defense spending is expected to begin—unless the plateau of defense spending has been lowered or other cuts have been made in government spending. Let us assume that the prospect for the fiscal year 1954-55, with the defense expenditures dropping after Jan. 1, 1955, is no better than a balance in the cash budget—or perhaps even a deficit in the cash budget. Do I still suggest cuts in taxes? Some cuts in taxes will probably have taken effect about Jan. 1, 1954.

The answer to the question must depend, of course, upon how large are the tax reductions effective in 1954. Unless tax cuts effective in 1954 are quite large, additional cuts will be needed when defense spending drops. Since the government will be spending less, the public must spend more, or total demand will drop. But the public will be able to spend more provided the government reduces its tax take from the incomes of the public. Furthermore, the public, with larger incomes after taxes, will be willing to spend more.

What kinds of taxes should be cut? If the excess profits tax, or any part of it, is still on the books, it should certainly be cut because it penalizes just the kind of enterprise that can do most to increase employment. Except for the excess profits tax, however, corporation taxes should not be touched. An attempt to stimulate investment in a period of possible recession by cutting the normal corporate income tax is not likely to be successful. The tax cuts most likely to stimulate employment are (1) reductions in excise taxes on those products for which demand is quite sensitive to price, so that a lower total of price plus excise tax would raise total consumer expenditures for the article; and (2) reductions in the personal income tax. Cuts in the personal income tax are roughly equivalent to increases in income and should produce pretty much the same rise in the demand for goods that higher incomes bring about. Since the income tax is already steeply progressive, the cuts should apply to all income brackets.

Tax reductions which accompany the drop in defense spending will probably mean that the cash budget of the Federal government will be in the red during the period when defense spending is dropping. Unless private business shows signs of vigorous expansion, a period of falling Federal spending is a time when some deficit in the budget is needed. As business later expands, the rising yield of Federal taxes will probably soon put the budget in balance.

VI

This analysis of the problem of averting a recession when defense spending drops shows that the problem is tough. Our analysis also shows that the instruments available for dealing with this tough problem are powerful. Certainly the possibility exists that the powerful instruments available will be used so wisely and effectively that no recession will occur. Human beings, however, do not usually show such wisdom, and will probably not do so in formulating policies when defense spending drops. Hence *some* recession is likely. But with industrial research continuing on a large scale and with the government and banks discouraging further net increase in private indebtedness, and with the government making cuts in taxes to take effect in 1954 or 1955, the recession can be kept mild. The development of policies to deal with the reduction in defense spending should be the major concern of business for the next two years and, next to the development of a satisfactory foreign policy, it should also be the principal concern of the new Administration.

With Penington, Colket

MANHASSET, N. Y.—Penington, Colket & Co., members of the New York Stock Exchange, announce that Edward Barry has become associated with the firm as co-manager of its office at 568 Plandome Road, Manhasset.

Southeastern Group of IBA to Hold Meeting

BALTIMORE, Md.—The 32nd Annual Meeting of the Southeastern Group of the Investment Bankers Association of America

J. C. Hagan, Jr.

LeRoy A. Wilbur

W. L. Goodwyn, Jr.

R. A. Bigger

will be held Nov. 1, 1952, at The Homestead Hotel, Hot Springs, Va.

There has been appointed, for the purpose of presenting nominees for officers and members of the Executive Committee to serve for the ensuing year, a committee consisting of:

Charles S. Garland, Chairman—Alex. Brown & Sons, Baltimore, Maryland.

Edward C. Anderson—Anderson & Strudwick, Richmond, Va.

John Clifford Folger — Folger, Nolan Incorporated, Washington, D. C.

This committee has made the following nominations:

Chairman—John C. Hagan, Jr., Mason-Hagan, Inc., Richmond, Va.

Vice-Chairman—LeRoy A. Wilbur, Stein Bros. & Boyce, Baltimore, Md.

Vice-Chairman—Wilfred L. Goodwyn, Jr., Goodwyn & Olds, Washington, D. C.

Secretary-Treasurer — Richard A. Bigger, R. S. Dickson & Co., Charlotte, N. C.

In addition to the above officers, the committee has nominated for election to the Executive Committee:

W. Carroll Mead—Mead, Miller & Co., Baltimore, Md. (For a one-year period to succeed W. Peyton May, Investment Corporation of Norfolk, Norfolk, Va.)

Walter S. Robertson—Scott & Stringfellow, Richmond, Va. (Ex-officio.)

James H. Lemon — Johnston, Lemon & Co., Washington, D. C. (Ex-officio.)

The annual business meeting is being held during a conference of the Group on Oct. 31, Nov. 1 and 2. Joseph T. Johnson, President of the National Association, and Mr. Murray Hanson, General Counsel of the Association, will speak briefly at the business meeting.

Reservations should be made as soon as possible, direct with the Homestead Hotel, Hot Springs, Va., attention of Mr. J. L. Ruddell, as only a limited number of rooms are available. Special rates for the Convention are: Single Room, $17.50 per day; Double Room (Twin beds), $16.25 per day per person; Parlors, $12 per day. The registration fee is $10 per person in attendance, not including wives.

Members of the Convention Committee are: Thomas L. Anglin,

Mackall & Coe, Washington, D. C., and M. Carter Gunn, Scott, Horner & Mason, Lynchburg, co-Chairmen of the Entertainment Committee; Richard A. Bigger, R. S. Dickson & Co., Charlotte, N. C.; J. T. Warmath, Equitable Securities Corp., Greenville, N. C.; Ben S. Willis, Alex. Brown & Sons, Winston-Salem, N. C.; Edwin B. Horner, Scott, Horner & Mason, Lynchburg, Va.; Harvey B. Gram, Johnston, Lemon & Co., Washington, D. C.; Francis C. Hunter, Merrill Lynch, Pierce, Fenner & Beane, Washington, D. C.; Frank D. Mead, Mead, Miller & Co., Baltimore, and Frank J. Taylor, Jr.

Edwin B. Horner is in charge of the Golf Committee.

Continued from page 5

The State of Trade and Industry

above the preceding month, about $30 million of that boost resulted from increased military and economic aid shipments under the Mutual Security Program.

It also noted that substantial decreases took place in August in United States purchases abroad of cotton and wool textiles, machinery, vehicles and diamonds. Incoming goods were valued at $817 million, compared with $837 million in July and $880 million in August, 1951.

Money in circulation in the United States is increasing at a rate surpassed only during World War II. In the five and a half months ending Oct. 15, the total rose $1,157,000,000 to a new high of $29,617,000,000. The rise in retail sales during the pre-Christmas weeks may boost the total past $30 billion, bankers predict. The upsurge in the money supply is due in part to better business in many parts of the country, monetary experts say. But more important factors, they add, are a return of some black-market operations, tax evasion and a migration of population stemming from the defense program and the Korean War.

Housing starts in September numbered 98,000, off 1,000 from August, the Bureau of Labor Statistics reported. September was the seventh straight month in which starts were at or near 100,000. Public housing starts during the month totaled only 900, lowest in over a year. In the first 9 months of 1952, work was begun on 866,800 new dwellings, 800 above the like 1951 period.

Steel Output Scheduled to Show Slight Rise This Week

Steel is being produced so fast the government may have to increase consumers' allotments of it for the first quarter of the coming year, says "Steel," the weekly magazine of metalworking, the current week.

The government thought the first two months of 1953 would be needed to finish up deliveries on November and December orders that were backed up from the steelworkers' strike. But now the automobile industry bursts forth with a revelation that by the end of this year it will have "cashed" all of it 1952 "tickets" for steel for its production drive this year. "Tickets" are authorizations the government gives consumers to buy steel with under the Controlled Materials Plan.

Some auto producers say they may even try to borrow against first-quarter allocations to keep production roaring through December, this trade magazine notes.

The question still unanswered is whether all steel consumers will be able to cash all of their 1952 Controlled Materials Plan steel tickets by the end of this year or whether the caught-up position of the auto-industry is a result of favoritism to it, the largest consumer.

This alarm from the auto industry fanned out geographically to the Michigan Governor's office, the Defense Production Administration and steel company offices. All are making an emergency check-up of the situation, "Steel" declares.

Hastening the arrival of a balance in supply and demand is a steel production pace that's smashing records week after week. Newest record is the production of 2,200,000 net tons of steel for ingots and castings in the week ended Oct. 18. To reach that level and break the record set in the preceding week, the industry produced at 105.5% of capacity. That's a 1-point increase over the prior week.

Enabling the steel industry to set new production records now is its expansion program which is bringing new facilities into operation each week. On Jan. 1 of this year production capacity was 108.5 million net tons of steel for ingots and castings. On July 1 it was 109.3 million tons. By next Jan. 1 it will be 115.6 million tons, and some time in 1953 it is to get up to 120 million tons, this trade weekly points out.

This capacity increase will not end steel shortages in one swoop. They will disappear product by product and company by company. Already some finished steel products are more plentiful than others and some companies are less laden with orders than others.

Even on some to the tightest products (bars, steel plate, galvanized sheets and wire) there are signs of improvement in supply, "Steel" concludes.

The American Iron and Steel Institute announced that the operating rate of steel companies having 93% of the steelmaking capacity for the entire industy will be at an average of 106.6% of capacity for the week beginning Oct. 20, 1952, equivalent to 2,214,000 tons of ingots and steel for castings. In the week starting Oct. 13, the rate was 106.5% (revised) of capacity and actual output totaled 2,211,000 tons. A month ago output stood at 104%, or 2,160,000 tons, while a year ago estimated output was 2,057,000 tons with the rate at 102.9%.

Electric Output Declined the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Oct. 18, 1952, was estimated at 7,681,332,000 kwh., according to the Edison Electric Institute.

The current total was 16,548,000 kwh. below that of the preceding week when output amounted to 7,697,880,000 kwh. It was 531,874,000 kwh., or 7.4%, above the total output for the week ended Oct. 20, 1951, and 1,178,792,000 kwh. in excess of the output reported for the corresponding period two years ago.

Car Loadings Continue Decline for Week and Year

Loadings of revenue freight for the week ended Oct. 11, 1952, totaled 842,713 cars, according to the Association of American Railroads, representing a decrease of 9,153 cars, or 1.1% below the preceding week.

The week's total represented a decrease of 25,970 cars, or 3% below the corresponding week a year ago, and a decrease of 46,176 cars, or 5.2% blow the corresponding week in 1950.

United States Auto Output Rises 4% Above Level of Previous Week

Passenger car production in the United States last week rose 4% above the preceding week. Chrysler Corp.'s return to full production following its 1953 model changeover program was the main reason for the increase.

It aggregated 104,391 cars compared with 99,974 (revised) cars in the previous week, and 89,685 cars in the like week a year ago, according to "Ward's Automotive Reports."

Total output for the past week was made up of 104,391 cars and 29,502 trucks built in the United States against 99,974 cars and 29,133 trucks (revised) the previous week and 89,685 cars and 24,662 trucks in the comparable period a year ago.

Canadian plants turned out 4,997 cars and 2,291 trucks against 6,047 cars and 2,881 trucks in the prior week and 4,345 cars and 2,118 trucks in the like week of 1951.

Business Failures Ease in Latest Week

Commercial and industrial failures dipped to 139 in the week ended Oct. 16 from 147 in the preceding week, Dun & Bradstreet, Inc., reports. While casualties were down moderately from the 157 and 165 which occurred in the comparable weeks of 1951 and 1950, they fell sharply, 50%, from the prewar level of 277 in 1939.

Failures involving liabilities of $5,000 or more rose a little last week and were almost even with their 1951 total of 123. All of the week's decline centered in small casualties, those with liabilities under $5,000, which dropped to 17 from 29 a week ago and 34 last year.

Wholesale Food Price Index Turns Sharply Lower

The trend in foodstuffs resumed its downward course last week as the Dun & Bradstreet wholesale food price index fell 6 cents to stand at $6.38 on Oct. 14. This was the lowest in five months, or since May 4 when it stood at $6.36. The low point for the year was $6.31 on April 22, and the high was $6.70 touched on Aug. 26 and Sept. 2. The current figure at $6.38 compares with $6.77 on the like date a year ago, or a drop of 5.8%.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Reacts to Lowest Level Since Early September, 1950

The general commodity price level dropped quite sharply last week following the mild firming tendency noted in the previous week. The daily wholesale commodity price index compiled by Dun & Bradstreet, Inc., fell to 287.01 on Oct. 14, from 290.70 a week earlier. The current figure is the lowest since early September 1950, and compares with 304.90 on the corresponding date a year ago.

Prices in leading grain markets worked lower the past week with corn showing the greatest weakness. The yellow cereal declined to new low ground for the year as weather conditions continued ideal for harvesting. The official Oct. 1 forecast of this year's corn crop, released Oct. 13, indicated a yield of 3,256,550,000 bushels, up 71,303,000 bushels from the previous estimate, and comparing with 2,941,423,000 bushels produced last year.

Although showing firmness at times, wheat prices weakened under the influence of large commercial stocks and lack of export demand.

The total wheat crop for this year was estimated at 1,298,921,000 bushels, which compares with 987,474,000 bushels harvested last year.

Interest in all types of hard wheat bakery flours remained very slow last week. Although prices were somewhat easier buyers appeared indifferent in the hope that values would work lower before replacements became necessary. Shipping directions showed some improvement as the result of cooler weather over much of the country. Cocoa developed a steadier undertone and prices finished moderately higher than a week ago. Warehouse stocks of cocoa continued to decline sharply, totaling 73,113 bags on the latest date. This compared with 83,406 bags a week earlier, and with 208,781 at this time a year ago. Coffee ruled steady in quiet trading but improvement in demand was expected with the advent of cooler weather. Lard prices closed firm, aided by better shipping demand from cash interests.

Active liquidation in domestic cotton markets sent prices sharply lower this week. The decline was influenced principally by the larger than expected October crop estimate of the Department of Agriculture, which showed an increase of 524,000 bales above the September estimate.

The volume of cotton ginned for the season through September was reported at 5,716,000 bales, the largest for this period in nine years. Consumption of cotton during the four-week September period, as estimated by the New York Cotton Exchange Service Bureau, was 790,000 bales, as against 744,000 in August, and 722,000 in September 1951. For the first eight weeks of the current season indicated consumption was 1,534,000 bales, as compared with 1,476,000 of year ago. Foreign demand for cotton continued in limited volume. Domestic mill buying slackened somewhat with reported sales in the ten spot markets totaling 347,700 bales last week, against 412,200 the preceding week, and 357,100 a year ago. Trading in cotton textiles was limited with prices mostly steady.

Trade Volume Unchanged From Week Ago

Retail stores in most parts of the nation sold about as much in the period ended on Wednesday of last week as during the prior week. Special seasonal promotions and easy credit terms were instrumental in sustaining volume. As during the last six months, retailers had slightly larger receipts than they did a year before.

Suburban stores generally chalked up more favorable gains over the levels of a year ago than did large city department stores.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from 1 to 5% higher than the comparable 1951 level. Regional estimates varied from the corresponding levels of a year ago by the following percentages: New England and South +1 to +5, East —1 to +3, Midwest and Southwest +2 to +6, Northwest 0 to +4, and Pacific Coast +3 to +7.

Apparel stores sold slightly more than in the prior week and noticeably more than in the similar week a year earlier. Increasingly popular were women's suits and coats, especially when strongly promoted. In wide demand were shoes, sportswear and children's clothing. The interest in men's suits and topcoats was spurred by many price reductions.

The interest in household goods which has been rising steadily in recent weeks faltered last week but continued to be moderately higher than a year ago.

The sharpest gains were scored in Seattle and Portland, Ore., where the demand for television sets continued to climb.

In the week, wholesale volume continued to remain at the high level of previous weeks and was moderately above a year ago. Retailers continued to place heavy orders for holiday merchandise in anticipation of record Christmas sales. Deliveries appeared to be more prompt than in the preceding weeks.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Oct. 11, 1952, rose 6% above the level of the preceding week. In the previous week an increase of 5% was recorded from those of the similar week of 1951. For the four weeks ended Oct. 11, 1952, sales reflected an increase of 2%. For the period Jan. 1 to Oct. 11, 1952, department store sales registered a drop of 1% below the like period of the preceding year.

Retail trade in New York last week reflected a favorable sales volume for the first time in 28 weeks.

The increase was attributed to the substantial Columbus Day trade, additional night openings, and special promotions.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Oct. 11, 1952, decreased 6% below the like period of last year. In the preceding week a decline of 2% was reported from those of similar week of 1951, while for the four weeks ended Oct. 11, 1952, a decrease of 5% was registered below the level of a year ago. For the period Jan. 1 to Oct. 11, 1952, volume declined 9% under the like period of the preceding year.

F. I. F. Sales Co.

Charles E. Bacon is engaging in the securities business from offices at 120 Broadway, New York City, under the firm name of F. I. F. Sales Company.

R. E. Warren Co. Formed

Robert E. Warren has opened offices at 550 Fifth Avenue, New York City, to engage in the securities business under the firm name of Robert E. Warren Co.

With Mutual Fund Assoc.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Harold Timewell is now with Mutual Fund Associates, 127 Montgomery Street.

With Clifford J. Murphy

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Maine.—Ralph G. Libby has become associated with Clifford J. Murphy Co., 443 Congress Street. Mr. Libby was formerly with Clayton Securities Corporation and J. Arthur Warner & Co.

Mutual Funds

By ROBERT R. RICH

Total Net Assets of Mutual Funds Now at $3.6 Billion

Total net assets of 104 mutual funds reached $3,596,070,000 on Sept. 30, 1952, an increase of $466,441,000 over Dec. 31, 1951 and an increase of $550,363,000 since Sept. 30, 1951.

Total sales of new shares for the first nine months of 1952 amounted to $568,501,000, while net sales, after redemptions were $421,734,000. Gross and net sales for the same period last year were $480,571,000 and $221,171,000, respectively, according to the National Association of Investment Companies, the agency which compiles these statistics.

For the third quarter of this year, total repurchases as a percent of total assets declined to 1.34% from the second quarter's 1.42% and from 2.75% a year ago. Common stock fund repurchases as a percent of common stock fund assets, however, increased to 1.22% from the second quarter's 1.20% and declined from 2.84% a year ago. Balanced fund repurchases are now quite low at .98% compared with the previous quarter's 1.17% and last year's 2.84%. Bond and specialty fund repurchases, while higher than the others, declined to 2.29% from the previous quarter's 2.43% and from last year's 3.99%.

Mutual fund repurchases as a percent of gross sales were moderately lower for the funds as a whole, markedly lower for the balanced funds, slightly lower for the common stock funds, and higher for the bond and specialty funds. The third quarter and current annual rate of repurchases as a percent of gross sales are 25.3% for 104 funds, 24.3% for the common stock fund group, 16.7% for the balanced fund group, and 45.6% for the bond and specialty group.

These statistics, over-all, represent a normal and stable turn-over for the mutual funds business and compared with the turn-over in other industries, a notably low rate.

Statistics for the last two years are given below.

Mutual Funds' Repurchases as Percent of Assets

by quarters

July 1, 1950 to September 30, 1952

Total Repurchases as Percent of Total Assets

	No. of Funds in Group	3rd Qtr. 1952	2nd Qtr. 1952	1st Qtr. 1952	4th Qtr. 1951	3rd Qtr. 1951	2nd Qtr. 1951	1st Qtr. 1951	4th Qtr. 1950	3rd Qtr. 1950
All Funds	104	1.34%	1.42%	1.45%	1.99%	2.75%	2.62%	3.92%	3.27%	2.70%
Fund Group Repurchases as Percent of Group Assets										
Common Stock	47	1.22%	1.20%	1.18%	1.92%	2.84%	2.03%	2.77%	2.32%	2.16%
Balanced Fund	32	0.98	1.17	1.10	1.24	1.76	1.59	1.93	1.82	1.44
Bond & Specialty	25	2.29	2.43	2.80	3.34	3.99	5.56	9.20	7.09	5.30

Mutual Funds' Repurchases as Percent of Gross Sales

by quarters

July 1, 1950 to September 30, 1952

Fund Group:	Number of Funds	3rd Qtr. 1952	2nd Qtr. 1952	1st Qtr. 1952	4th Qtr. 1951	3rd Qtr 1951	2nd Qtr. 1951	1st Qtr. 1951	4th Qtr. 1950	3rd Qtr. 1950
All Funds	104	25.3%	28%	25%	32%	50%	53%	59%	61%	53%
Common Stock	47	24.3	25	22	29	52	49	48	50	47
Balanced	32	16.7	22	16	19	28	26	26	27	23
Bond & Specialty	25	45.6	44	46	67	86	108	121	141	112

Mutual Fund Notes

TAKING NOTE of a serious deficiency of highway capacity, accumulated during the war and postwar years, the October issue of Perspective, published by Calvin Bullock, states that a doubling of the nation's yearly expenditure for road construction is necessary to overcome the present deficiency and provide for normal growth requirements.

"Recent estimates look for a population of 174 million people by 1960," the publication states. "If we assume the 3% per annum increase of vehicle miles per capita will continue, this would mean that in 1960 auto travel would total 749 billion miles, or 264 billion miles above the 1951 level."

The chief deterrent to the building of an adequate highway system, it adds is the problem of paying the cost. Individual states find it difficult to finance road construction either from current revenues or from an increase of state debt.

"In the event of a recession following the leveling off of defense spending," the publication comments, "vast sums of Federal money could and probably would be made available for highways. Such spending can be got under way with less delay than other federal projects and employ substantial amounts of labor."

Observing that the beneficial economic effect of large scale highway construction will be of general nature as spending spreads rather broadly to labor, material suppliers and equipment producers, the publication concludes, "A four or five billion dollar addition to our annual highway spending could materially help to replace some of the current spending on plant and equipment which is expected soon to decline. A longer term and more indirect beneficial effect could be the greater consumer spending on travel encouraged by the existence of a more adequate highway system."

D. MOREAU BARRINGER, in an assessment of the probable effects of the election on the stock market, makes the point that the pattern of military expenditures seems likely to be continued even if the Administration changes.

The Delaware Fund Chairman recalled that four years ago on the Wednesday morning after Mr. Truman's reelection, the market dropped the Dow-Jones Industrial Average to around 180. "And yet," Mr. Barringer continued, "the inflationary tide was already in flood, and the next four years saw nearly 100 points added to that average—nearly half of them before Korea was anything more than a geography lesson." He observed that many of the factors that made for that rise are still present.

Mr. Barringer made his appraisal in his weekly letter, dated Oct. 17, 1952, to his directors. The letter continues: "We don't see this change in the readable future. We feel that the present sparring is sufficiently satisfactory to Russia to keep one from reasonably expecting its end, either in spreading war or increasing peace."

IN AN ADDRESS before the Women's Federation of Shareholders, on how to meet inflation and recession, Mr. Arnold Bernhard, Editor of the Value Line Investment Survey and President of the Value Line Fund, advised that women investors look upon their capital as a "Second Man" for family protection against the loss of the First Man's income. To create and build a Second Man, Mr. Bernhard recommended (1) adequate life, accident and health insurance coverage; (2) investment of earnings and savings in a widely diversified list of stocks for current and future income as well as for protection against recessions. "There is no one expert enough to select only one stock that will be 100% success in providing future income," he said.

"When you buy a stock, you go along with the company for better or worse," Mr. Bernhard pointed out. "It is not true that because there is inflation, every stock price goes up. If a stock provides an increasing income, the price will go up. But if it pays less in dividends, the price will go down as a rule even though the cost of living may be increasing. A company's ability to earn money is necessarily influenced by inflation," he said, "but it is only dividends that have an influence upon the price of stocks." He advised buying stocks on the basis of the income they produce now and in the future—not on the premise they will go up in price. "Concentrate on the dividends, the take home pay of the Second Man," he said.

HAROLD X. SCHREDER, Executive Vice-President of Distributors Group, and guest speaker on Sunday's program in the Kidder, Peabody radio series, "Your Money at Work," stated that because of the recent steel strike and shortage of materials, only about four million automobiles will be produced this year—300,000 less than could be sold.

"We can expect that the demand for cars next year will be equal to this year's sales," Mr. Schreder said, "plus some carry-over demand. Total production next year should run 5% above the 1952 output. Late in 1953, however, we very likely will see a return to a competitive automobile market."

Mr. Schreder is research head of a leading mutual fund sponsor. Moderator of the program is Milton Fox-Martin, head of Kidder, Peabody and Co.'s Central Mutual Fund Department.

OPEN-END INVESTMENT COMPANY STATISTICS

For the quarter ending September 30, 1952

104 Open-End Funds

(000's omitted)

	Total Net Assets	Sept. 30, '52	June 30, '52	Dec. 31, '51	Sept. 30, '51
47	Common Stock Funds	$1,832,546	$1,795,968	$1,591,515	$1,543,560
32	Balanced Funds	1,110,377	1,070,427	942,087	900,210
25	Bond & Specialty Funds	653,147	644,198	596,027	601,937
104	Total	$3,596,070	$3,510,593	$3,129,629	$3,045,707
	Sales	3rd Qtr. 1952	2nd Qtr. 1952	1st 9 Mos.'52	1st 9 Mos.'51
47	Common Stock Funds	$91,940	$87,562	$271,053	$216,288
32	Balanced Funds	65,398	56,635	190,976	163,233
25	Bond & Specialty Funds	32,792	35,940	106,472	101,050
104	Total	$190,130	$180,137	$568,501	$480,571
	Repurchases	3rd Qtr. 1952	2nd Qtr. 1952	1st 9 Mos.'52	1st 9 Mos.'51
47	Common Stock Funds	$22,341	$21,594	$64,090	$107,532
32	Balanced Funds	10,908	12,536	34,587	43,701
25	Bond & Specialty Funds	14,958	15,635	48,090	108,167
104	Total	$48,207	$49,765	$146,767	$259,400
	Net Sales	3rd Qtr. 1952	2nd Qtr. 1952	1st 9 Mos.'52	1st 9 Mos.'51
47	Common Stock Funds	$69,599	$65,968	$206,963	$108,756
32	Balanced Funds	54,490	44,099	156,389	119,532
25	Bond & Specialty Funds	17,834	20,305	58,382	—7,117
104	Total	$141,923	$130,372	$421,734	$221,171
	New York Stock Exchange Volume (No. of shares—not dollars; 000's omitted)	69,155	78,065	241,069	345,214

Source: National Association of Investment Companies

APPOINTMENT of Charles W. Haynie, former chief statistician and financial analyst for the Shell Oil Company, as senior analyst in charge of petroleum industry investment research for Investors Diversified Services, Inc., of Minneapolis, was announced here by H. V. Flett, manger of the I.D.S. investment department.

A native of Alabama and a graduate of the Alabama Polytechnic Institute, Mr. Haynie began his business career in public utility mangement for Stone and Webster, Inc., in Boston. Subsequently he was affiliated with the carpet and textile industries and with the War Production Board in Washington before joining Shell. He is a member of the New York Security Analysts Society and the American Statistical Association and as a resident of Douglaston, Long Island, N. Y., was active in civic affairs.

DONALD L. BARR, former assistant treasurer in charge of investment management for Dartmouth College, has joined Investors Diversified Services, Inc., to assist in the portfolio management of Investors Mutual, Inc., largest of three mutual funds distributed and managed by I.D.S.

In addition to his responsibilities for management of the Dartmouth trust and endowment funds for the past 15 years, Mr Barr also served as a special lecturer on investment management at the college's Tuck School of Business, Richmond Hill, L. I. He was engaged in the investment field with Dick and Merle-Smith and previously with L. F. Rothschild and Company in New York, prior to assuming management duties at Dartmouth.

THE HAVANA Stock Exchange honored the visiting American economist, Dr. Max Winkler, who presided over the day's session of the Exchange.

Dr. Winkler was introduced by Havana Stock Exchange President Granda and in an address to the Exchange members, he formally thanked them for the honor accorded him and at the same time stressed the cordial United States Cuban relations.

Dr. Winkler is visiting Havana in the interest of National Securities & Research Corporation for which he is a consulting economist.

WILLIAM HAYES, formerly Assistant Director of Research, McCall's Magazine, has joined the editorial and research department of Arnold Bernhard & Co., publishers of the Value Line Investment Survey. Prior to his McCall connection, Mr. Hayes was associated for several years with the firms of Dun & Bradstreet and Smith, Barney & Co. He was also for two years Associate Editor of "The Bankers Magazine" and has been the author of articles appearing in financial and trade magazines.

CLOSED-END NEWS

TRI-CONTINENTAL

Net assets of Tri-Contential Corporation were equivalent to $23.94 per share of common stock on Sept. 30, 1952 as compared with $22.17 at the beginning of the year and $20.85 a year earlier, according to Francis F. Randolph, Chairman of the Board and President of this closed-end investment corporation. Investment assets are stated at $161,725,348 in the Corporation's report for the first nine months of 1952, released today. Investment assets totaled $155,130,269 at the beginning of the year and on Sept. 30, 1951 were $150,727,348.

According to the nine months report, Tri-Continental, near the close of the third quarter, sold 5,337 shares of $5 cumulative convertible second preferred stock and 128,100 shares of common stock of the Globe and Rutgers Fire Insurance Company. This transaction involved the sale of Tri-Continental's complete holding in Globe and Rutgers, which previously had represented control of that company. This investment was acquired in the early 1930's with a long range view toward rebuilding the financial position and insurance business of the company. Over the years these major objectives have been achieved and the sale of Tri-Continental's holding, according to the report, brings in insurance interests that should contribute to the continued progress of Globe and Rutgers. For Tri-Continental, the profitable working out of this investment means that further progress has been made toward the Corporation's objective of a simple investment portfolio consisting primarily of well-known marketable securities. Proceeds from the sale of the Globe and Rutgers holdings are being reinvested in the securities of a broad list of companies with the result that the Corporation's portfolio has been further diversified.

Oil stocks continued to represent Tri-Continental's largest common stock holding on Sept, 30, amounting to $28,924,855, or 22.7% of the total value of common stocks held. Public utility and chemical stocks again made up the second and third largest industry groups with investments totaling $22,400,125 and $10,576,125, respectively. The largest increase in a single industry category during the third quarter was a build-up of the corporation's investment in the auto and accessory industry from $651,375 to $1,867,000.

During the third quarter the purchase of 8,000 shares of Chrysler and 8,000 shares of General Motors introduced two new names into the common stock portion of the portfolio. Additional new names were Commonwealth Edison and Washington Water Power. Holdings of National Distillers, Hiram Walker and United Paramount Theatres were eliminated. Substantial increases in holdings were made in American Can, Pacific Gas and Electric, West Kentucky Coal, du Pont, Westinghouse Electric, Southern Company, Scott Paper and American Natural Gas. Principal reductions were made in Houston Oil, Seaboard Oil, H. L. Green and McCrory Stores.

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"We Must Accept the National Debt as a Permanent Fixture"

the direct rationing and control of loans, I imagine there are few bankers who would want to argue that general credit controls through reserve levels, discount rates, and open market operations are utterly useless. I doubt, too, whether a very good case can be made for placing the burden of national efforts to maintain economic stability upon the shoulders of banks holding about 85% of the deposits while banks holding the remaining 15% in effect get a free ride or in any event a cut-rate ride at the expense of the remainder of the banking system.

The significance of the non-member banks to the effectiveness of national monetary controls is far greater than their modest 15% of all deposits would seem to indicate. The desire and necessity for member banks to maintain competitive position with their non-member neighbors is quite understanable. But the competitive advantage enjoyed by non-members tends constantly to weaken the incentive to go along with the Federal Reserve System and even drives member banks to make inflationary loans in spite of the central bank policies. With half of the banks in the country (and in some localities possibly all of the banks) free from or little affected by Federal action to regulate the supply of money, national monetary policy to control inflation can hardly be effective.

Credit Expansion Induces Inflation

We have had, regrettably, too much inflation in recent years. Bank credit expansion has undoubtedly contributed to it. How much more than their proportionate share the banks with lower and variable reserve requirements have contributed, no one can say. But their exemption from uniform reserve standards has left them free to seek profits by expanding loans when inflationary loan expansion was against the national interest. If we are to rely, to any extent, upon the democratic devices for general credit control rather than specific price, credit, and rationing controls, we must take the steps necessary to set up our institutions so that our policies may contribute effectively to the stabilization of the economy and especially to the control of inflation.

Next to the policies themselves, the machinery for the determination of monetary policy is, of course, of the utmost importance. When our Subcommittee announced its plans to go into this problem of policy determination, there were many people who, without foundation, jumped to the conclusion that the traditional independence of the Federal Reserve System was being threatened. I believe that the course of the Committee's hearings and the Committee's report have now put such fears completely at rest. What the Committee sought to determine was how best the independence of the Reserve System might be perserved and built up **within** and not **from** the government, if I may emphasize the distinction which Mr. Sproul of the New York Federal Reserve Bank made in a letter to our Committee.

Strengthening Independence of the Federal Reserve

In the interests of strengthening this independence of the System while recognizing that the important functions which it performs are essentially public in character, the Committee made a number of more or less detailed recommendations. In order to insure the selection of persons of the highest caliber as members of the Board of Governors, we recommended (1) that the number of members of the Board be reduced to not more than five; (2) that their terms of office be substantially reduced; (3) that the present geographical and other qualifications for appointment be eliminated; and (4) that the salaries of Board members be raised to place them more in line with that of Cabinet members and other governmental administrative heads.

The objective which we had in mind, and indeed the only possible result of this type of reform, would be to assure the best possible determination of over-all monetary policy as it related to the economic and fiscal needs of the Nation. The stronger the men appointed to the Board of Governors, the more likely they are to arrive at sound independent judgments. Surely no one would argue that these judgments should be free to run counter to the national programs determined upon by the Congress and administered by the Executive Branch.

In this connection, it must be admitted that in the past there have been occasions when the sincere efforts of the Treasury Department to carry out its responsibilities and the equally sincere efforts of the Federal Reserve System to carry out its statutory duties have seemed to bring the agencies in conflict. Without brushing the importance of these occasions aside, I think it is only fair to say that much of the so-called "clash" has been built up in the minds of outsiders and that the differences were in some measure over-dramatized.

When two agencies, each having separate functions, have to face up to any issue, it is not unnatural that conflicting views may come to the surface. A number of suggestions have been made for the creation of consultative or advisory councils which would help to coordinate the government's economic policies into a meaningful whole. The details of how just such a council would work are not nearly as important, it seems to me, as that the agencies involved work together in a healthy spirit of cooperation and mutual respect. I wish it were possible that perfect coordination of fiscal and monetary policy could be further facilitated and assured by the simple expedient of some added bit of machinery, but I do not regard it as necessarily an evil when, in a democracy, solutions have to be worked out by sweat and toil and involve a great deal of give-and-take.

I shall not go on in detail with a discussion of the problems of the annual expenditure budgets of the Board of Governors, nor with the appropriate auditing of the accounts of the banks or the Board of Governors. It is simply common sense that no public or semi-public agency be allowed to run along without any audit or review.

National Debt

Our national debt of $258 billion, as much as we abhor debts, is not a major problem. Although I have consistently voted for taxes in the hope that a part of the money raised could be used to pay on the National debt and the National debt finally liquidated, I have come to the definite conclusion that this debt will never be paid. This is a startling statement, but I do not believe that anyone should be disturbed by it. The fact is, our expanded economy needs this additional credit.

Our monetary system is based sion that this debt will probably upon debt. If all debts were paid, we would not have money and credit to carry on the business of the country. In other words, like Leon Henderson said when he was testifying before the Banking and Currency Committee of the House in supporting the first Price Control Bill, September, 1941, when asked what we would do for money if everybody paid their debts, he replied that we would just have to go back into debt again in order to have sufficient money.

Since we will need this additional credit for the future and even more, we should reconcile ourselves to the fact that this debt will not be paid, although it will never be in default, and make the most satisfactory arrangements possible in the public interest to carry it.

Over the years, I have advocated the 12 Federal Reserve Banks carrying a large part of this debt and save the people the interest charges. I firmly believe that the 12 Federal Reserve Banks could carry all the national debt and save $6 billion a year interest charges, but I am not advocating it. I am convinced that we should not trust Congress—all the Members being elected by the people on popular issues—to stop at the right point this easy way of getting money. If Congress could be forced to stop at the national debt and there would be no mistake about it, then we could safely have the Federal Reserve Banks carry the national debt. But there is no way we can stop Congress from further using this easy way, which is so painless, in providing money. Therefore, until a better way is found to provide the necessary media of exchange, it is my recommendation that we accept the national debt as a permanent fixture as absolutely necessary, in the interest of our expanded economy and our expanding economy and go about arriving at the best solution of how it should be carried in the future. It must never be repudiated—not one penny of it; neither principal nor interest — and any amounts that can be paid on it at any time should be paid.

In summary, it seems to me that the important issues which I want to point up with you today run somewhat as follows. **First,** the determination of monetary policy is of the utmost importance to the stability of the economy. As you will recall, the founders of our Constitution recognized this and placed squarely in the Congress the power and responsibility for coining money and regulating the value thereof. It is not necessary to remind this audience of the overwhelming extent to which our supply of money today takes the form of credit and bank deposits. **Second,** looking toward the objective of maintaining economic stability—over the last few years this has meant chiefly the minimizing of inflationary pressures—monetary and credit policy offers one of our most useful and effective tools. **Finally,** it is incumbent upon the government, as a consequence, constantly to improve the facilities by which monetary policy may be determined and made effective. That should be the purpose of all of those who are most influentially and intimately involved in the financial structure of the country. If a uniform system of reserve requirements will work toward that end, if minor structural requirements in the Reserve System will contribute in any measure to that end, they are certainly all worthy of examination and adoption after appropriate study.

Railroad Securities

Supreme Court to Review Western Pacific Case; Rail Market Aided by Good Dividend News

Last week in this column we discussed Western Pacific, commenting on the wave of buying interest that had been generated by hopes and expectations that the Supreme Court would very shortly hand down an opinion refusing to review lower court decisions in litigation with the old holding company over certain tax benefits amounting to $10,100,000. It was further noted that a number of railroad analysts viewed the sharp advance in price of the stock on any such premise as premature. Last week the Supreme Court did hand down its decision. The decision was to review the case, not to refuse certiorari as had been so widely anticipated. As a result, and aggravated by general market uneasiness, the stock broke sharply.

Now that the Supreme Court is going to review the case there will obviously be further extended delays. In the interim there is apparently little hope that the anticipated refunding of the participating preferred can be worked out. This change in prospect, however, has presumably been pretty thoroughly discounted in the recent decline in quotations for the common shares. The price of the stock is now more nearly in line with prices for other similar quality railroad equities. Even though prospects for any increase in the $3.00 annual dividend rate now appear remote, railroad analysts generally are again casting a favoring eye at the common on the basis of the long-term prospects of this fundamentally sound railroad.

The general weakness that overtook all sections of the stock market early last week was again checked by a resumption of buying in the better grade railroad shares. As a matter of fact, throughout the decline railroad stocks had acted better than other sections of the list, a fact that was not surprising to close followers of the industry. The immediate cause of the renewed buying interest in this group was the release of additional good dividend news. Atlantic Coast Line declared a year-end extra of $1.00 while maintaining the regular $5.00 annual rate. On the same day Louisville & Nashville declared an extra of $0.50 a share while maintaining the regular $4.00 annual rate. While neither action was notably generous in the light of current and prospective earnings, they did inspire renewed bullishness in pointing up a broad trend within the industry toward more liberal treatment of stockholders.

It seems probable that not all of the 1952 favorable dividend news has as yet been released. In this connection there are two companies whose directors' meetings are being awaited with particular interest. They are New York, Chicago & St. Louis, and Chicago, Rock Island & Pacific. The management of Nickel Plate has for some time been on record to stockholders that dividend policies would be dictated by cash needs. These cash needs, particularly for equipment maturities and serial bank loans, have been heavy. However, next year and in 1954 these requirements decline sharply. Presumably, then, it should be possible to pass along to common stockholders an increasing proportion of reported net income. In many quarters it is expected that the first step in this direction may well be taken at the November meeting of the Board. At that time the dividend to be paid Jan. 2, 1953 will be decided on. The present rate is $2.00 a share annually.

Rock Island directors will also presumably decide on the final 1952 dividend around the middle of next month. The present regular rate is $4.00 a share annually. Close students of this situation lean to the opinion that if any liberalization is coming it will be in the nature of an extra distribution rather than an increase in the regular rate. It is pointed out that Rock Island has an extremely conservative capital structure, its finances are in good shape, and that property needs are not heavy following the comprehensive rehabilitation program. Thus, it is felt that considerably more than $4.00 could well be distributed out of anticipated earnings this year of between $14.00 and $15.00 a share. Last year the company earned $8.44 a common share.

A. C. Beane Pres. of Commodity Research

Alpheus C. Beane, a partner and Director of the Commodity Division of Merrill Lynch, Pierce, Fenner & Beane, yesterday was elected as the new President of the Commodity Club of New York, Inc. He succeeds J. A. Higgons, Jr.


A. C. Beane

Sydney A. Tessler, a partner and Manager of the Commodity Department of Bache & Co., was elected Vice-President. Other officers elected were: M. R. Herrick, Manager of the Commodity Department of Dean Witter & Co., as Treasurer; and E. A. Beveridge, Commodity Economist of Merrill Lynch, Pierce, Fenner & Beane, as Secretary.

The following were elected as Club Directors: C. R. Berg, Secretary of the New York Produce Exchange; Eliot S. Golde, Vice-President of General Cocoa Co.; Leon Israel, Jr., President of Leon Israel & Bros., Inc.; J. Turner Jones, President of Turner Jones & Co., and Irving Weis, senior partner of Irving Weis & Co.

Marshall Co. Adds

(Special to THE FINANCIAL CHRONICLE)

RACINE, Wis.—Mrs. Dorothy C. White has become connected with The Marshall Company of Milwaukee. Mrs. White was previously with Ver Meulen & Co.

Joins Courts Staff

(Special to THE FINANCIAL CHRONICLE)

GREENVILLE, N. C. — Robert W. Fennell has become connected with Courts & Co., 115 West Fourth Street.

Blyth Adds To Staff

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — John M. Shank has become affiliated with Blyth & Co., Inc., Pacific Building.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Elizabeth M. Williams has joined the staff of Waddell & Reed, Inc.

Continued from first page

Outlook for the Stock Market Is Bearish

top and in August it exceeded previous highs by three or four points. Each time, however, the market ran into trouble. Looking at the record since the first quarter of 1951, I feel that the breadth index has done a good job of long-range forecasting. The vast majority of lower-quality stocks are substantially below their 1951 highs and a number of higher-grade investment issues have not done anywhere near as well as the D-J industrial average. In this connection I feel very grateful that the action of the breadth index in the spring of 1951 persuaded me to revise downward earlier forecasts of an advance substantially above the 300 level for the D-J industrials.

Also I feel grateful to the breadth index for supplying me with a good reason why the regulated market should not ordinarily be expected to value common stocks as generously as did the old-fashioned free market. Furthermore, drastic changes in price-breadth relationships during the past 25 years supply definite statistical evidence to support the recent statement of Keith Funston, President of the New York Stock Exchange, that excessive Federal regulations are throttling the nation's securities markets.

Price-Breadth Relationship Revolutionized by Regulation

Prior to regulation, the breadth index in bull markets spent most of the time in narrow horizontal trading ranges. Between January, 1927 and May, 1928 it held within a six-point range while the D-J industrials advanced from 152 to 220. A net gain of six points in breadth was accompanied by a 68-point advance in the average over a period of 17 months. For each point gain in breadth the average advanced more than 11 points.

Following a technical reaction in June, 1928, the breadth index held within a five-point range during the final half of the year. From the beginning of July to the end of December the net gain in breadth was four points as compared with an advance of 98 points in the average. During these six months the average showed a gain of more than 24 points for each point of advance in breadth.

During the final eight months of the great New Era bull market, the industrial average recorded a gain of 81 points while the breadth index showed a loss of 12 points. This was the result of reactions in February, March and May and the early part of August on which the breadth index in brief periods of concentrated selling lost more ground than it could make up on the rallies where the industrial average roared up at the rate of 20 to 25 points for each point of advance in breadth.

Since regulation was tightened in 1938 to approximately the throttling point mentioned by Mr. Funston, the relationship between the breadth index and the industrial average has been revolutionized. Protracted periods of horizontal trend in breadth are not now accompanied by major advances in the average. Experience of the past 15 years shows that narrow trading ranges in breadth lasting from two to four years have been accompanied by restricted horizontal ranges in the average, but with a tendency toward greater weakness in many secondary stocks than in the higher grade issues making up the D-J average. In the two completed cases of protracted horizontal trading ranges, the industrial average during the last year of restricted range displayed relatively more weakness than in the earlier years and ended with sustained intermediate declines that carried the average to lower closing levels than in the preceding three or four years.

While this change in the price-breadth relationship in trading ranges is extremely important to keep in mind in connection with the present situation, the change in the price-breadth performance during bull markets has been even more spectacular. In the course of the wartime bull market the industrial average advanced 120 points, from 92 in April 1942 to 212 in May 1946. It was during this four-year bull market that it became obvious that Federal regulation of the securities markets had revolutionized the relationship between breadth and price. Instead of reflecting the existence of a sound technical position by maintaining a restricted horizontal base, the breadth index took off as never before in its previous history to compile a record of 122 points gained while the industrial average had to settle for a total that was two points less than the advance in breadth.

Professional Speculation in the Free Market

The technical record since 1946 has provided further confirmation for the conclusion that under Federal regulation the breadth index must lead the price trend in bull markets as well as in bear markets. The reason for the change in bull markets to leadership by breadth is that prior to regulation professional speculative operations tended to concentrate on a relatively few active pivotal stocks such as normally would be used in a representative stock average. Under this system the Dow-Jones industrials during bull markets ran away in rather sensational fashion from the breadth index which was weighted down with a far larger number of lower quality, less glamorous issues.

The importance of the professional speculator in keeping the market moving in fairly well-defined trends by concentrating attention on important pivotal stocks cannot be ignored if the difference between the regulated market and the old free market is to be thoroughly understood. A good way to emphasize the importance of old-fashioned manipulative operations is to review the market career of Standard Oil (New Jersey) during the final intermediate swing in the eight-year New Era market that climaxed in the summer of 1929.

The amazing fact about Jersey's 1929 fling was that it came so late in the final and biggest intermediate swing of the biggest bull market in history. With speculation apparently raging all around, Jersey was completely neglected from May 28, when it sold at 56, to August 10 when it was still 56, despite an advance of nearly 50 points in the industrial average. The greatest oil stock in the world thus had no appeal to the great American speculative public during two and one-half months of the greatest speculative orgy ever recorded.

Between May 28 and August 10 in 1929 Jersey was held within a horizontal trading range of less than four points. As far as Jersey was concerned it might just as well have been in a market such as has been on display during the 9.3% trading range of the past 15 months. There was no professional speculative interest in Jersey during June, July and early August in 1929 and as a result there was no public speculative interest in this leading oil stock.

A Chemical Rating for Jersey In 1929

And then a group discovered that Jersey was really a chemical company and its earnings (around $4.70 for the year) were entitled to the price-earnings ratios enjoyed by chemical stocks. The move started Monday, August 12 with 60,000 shares traded, compared with an average of about 15,000 shares daily for the preceding three months. On the following Friday 244,000 shares were traded and Jersey on that day ranged between 63⅝ and 70¾. For the next three weeks the stock traded actively between 67 and 74. In the fourth week, however, it surged forward again, greatly assisted by a 423,000 share session, Wednesday, September 11, which carried it from a low of 74½ to a high of 80½. Four trading days later it reached its 1929 high at 83.

This episode in the market career of Standard Oil (New Jersey) involving a turnover of 3,946,000 shares of stock in six weeks (which compares with a total of 1,565,000 shares for the year 1951) illustrates how professional manipulative operations could call public speculative attention to a neglected stock and convert a quiet horizontal trading range into a roaring dynamic advance. It cannot be over-emphasized that so-called "public psychology" as far as Jersey was concerned did not "change overnight." Public psychology was changed overnight as the result of a dynamic manipulative operation. Once it was obvious that Jersey had shaken off its lethargy and was going some place, thousands of public speculators and investors developed a sudden interest in the stock and rushed in to buy it.

With the elimination of aggressive professional speculative operations, sustained major advances in the stock market are now completely dependent upon the relatively slow development of a broad public speculative demand for common stocks being added to normal investment demand. The wartime bull market proved that the public, as speculators, was not interested in buying high-priced, high quality stocks on high margins. Instead, public speculation as it evolved rather slowly in late 1942 and early 1943 tended to concentrate on lower-priced, lower-quality stocks bought outright.

It was this expanding public speculation in low-priced stocks that was primarily responsible for the dramatic change in the bull market performance of the breadth index. The record of the past 15 years provides no justification for being optimistic about the long-range outlook for the stock market unless it is possible to project a sustained advance in low-priced stocks and in the breadth index.

Expectation of Climactic Blow-Off In Low-Priced Stocks

In recent months it has been generally expected that before the bull market was completed, low-priced speculative shares would become much more active participants in a final big, climactic blow-off ending the major advance. This expectation of a final blow-off in cats and dogs is one of the mass delusions about the stock market that cannot be exorcised. In the present situation, following past precedent, the final big, climactic blow-off in low-priced stocks took place well in advance of the final high in the D-J average.

As a matter of fact the climactic blow-off in all kinds of stocks really occurred in 1951. The progressive decline in trading activity accompanying new highs since January, 1951 has been so em-

phatic it is impossible to believe that a speculative climax has not already taken place.

Volume of trading in January, 1951 was 70 million shares. When the industrial average reached its high in September, trading volume had declined to a little more than 36 million shares. In July, 1952, as the average struggled through the 1951 top, monthly trading volume declined to 24 million shares.

Advance to new highs in the D-J averages, with volume and also breadth of trading substantially lower, has on previous occasions foreshadowed an intermediate reaction rather than important further major recovery. In addition to a substantial decline in breath and volume of trading, the rather moderate push to new highs in the industrial average has been accompanied by a substantial decline in earnings. This factor is worth more detailed examination because never before under comparable circumstances has the average reached new highs so long after an earnings peak had been established.

As far as a blow-off in low-priced stocks is concerned, it should be emphasized that the Standard & Poor's index of 23 low-priced common stocks in February broke through its November, 1951 low and continued its decline in March, April, May, June, August, September and October.

The historical record since 1928 justifies the forecast that the major trend of the market, over a period possibly of several years, is now being more accurately forecast by the decline in the low-priced index than by the new highs reached by the Dow-Jones and Standard-Poor's industrial stock indexes. As indicated by relative trends in 1929, 1930, 1938, 1939, 1941, 1946, 1948, 1949 it was the low-priced index that foreshadowed general market declines while the high-priced averages struggled to avoid the trend toward lower levels.

Things May Be Different This Time

The breadth index and the low-priced stock index thus both foreshadow a longer-range decline in the stock market. With the technical probabilities settled the next problem involves the basic economic reasons for a major decline in stock prices over the next few years.

In this connection virtually everybody interested in economic forecasting agrees that there will be some recession in general industrial activity beginning at some uncertain future date. The pessimists say this recession will start in nine months, while the optimists insist that it will not develop until 18 to 30 months have elapsed. In these timing exercises Government spending gets relatively far more attention than it deserves.

There is a by-product of the widespread agreement that some recession in business activity will appear within one to three years. The psychological by-product mentioned takes the form of a fairly prevalent suspicion that because everybody agrees there will ultimately be a recession this is almost enough to justify the opinion that there won't be any recession within the next three years. Furthermore, there is general agreement on the thesis that even if there is a recession there is little likelihood that it will be able to expand to the dimensions of an old-fashioned depression.

Mr. Robert C. Turner, the latest addition to President Truman's Council of Economic Advisers, has recently summed up this viewpoint in a statement that he didn't think a recession was inevitable and a depression of the 1929 to 1933 variety, or even of the 1920-1922 variety, struck him as being extremely unlikely. This agreement by Mr. Turner with the virtually unanimous belief that a 1929-1933 variety of depression is most unlikely, is reassuring as far as it goes.

It is undoubtedly true that our next depression will not be the same as the 1929-1933 variety or even like the 1920-1922 variety. Past experience, however, indicates that one of the big difficulties with depressions is that they always are different from their predecessors. The most spectacular feature of the 1920-1922 depression was the collapse of commodity prices. All through the boom of the 1920's, the Federal Reserve authorities watched commodity prices so closely that they allowed stock prices to run wild. Ultimately, the collapse of the stock market was the outstanding dramatic feature of the 1929-1933 depression.

To insure that things will be different this time, it is reasonable to assume that there will be no concentrated crash in stock or commodity prices that will herald the approach of a depression. Everything is so well cushioned, as a result of Government spending for defense, price supports for farm products, unemployment and old age insurance, control of prices and wages, and regulation of the stock market, that it is very difficult for anything to crash and thus give warning of imminent economic troubles.

As far as the stock market is concerned, this is perfectly logical because there have been no speculative excesses that must now be corrected. This does not mean, however, that the market will be able to stage any really important advance. The same regulation of aggressive professional speculative operations that prevented the D-J industrial stocks from advancing to a moderate 400 in 1950 when average earnings were $30.70 will tend to hold prices down now that earnings over a period of two years have receded to an estimated $22.50 for 1952.

No New Era Economic Excesses This Time?

Wholesale commodity prices, despite having reached new record high levels in 1951, have in the current war and postwar cycle not greatly exceeded the percentage increases recorded in the Civil War and in connection with World War I. On an annual basis wholesale prices advanced 108% during the Civil War period, 127% in World War I and 134% in the current cycle. However, an unprecedented "new era" aspect of the performance of wholesale commodity prices is the fact that they continued to advance for six years after the end of the war instead of declining rather sharply as they did after the two previous war periods.

There is one price structure, however, that deserves a new era rating in its own right and also for assisting in the postwar maintenance of the advance in wholesale commodity prices. This price structure is the perpetual motion, round-after-round steadily increasing price of labor.

Six years after the end of the Civil War hourly wage rates showed an advance of 74% from the prewar level. Six years after World War I the gain in wage rates was 119%, which was about a 10-point decline from the 1920 peak level. In 1951 wage rates were 152% above 1939 and still rising.

The outstanding economic excesses of the current postwar period, deserving of a New Era designation, involve the price of labor and the influence that this price has had on commodity prices in general. Six years after the end of the Civil War wholesale prices showed a net gain of only 41% as compared with 74% for wage rates. Six years after World War I wholesale prices had receded to a level that was only 44% above prewar while wages retained a gain of 119%.

In 1951 commodity prices reached a new record peak 134% higher than 1939, and much closer relatively to the 152% gain in wage rates than was true following the previous two war periods.

They Never Had It So Good

The two most serious and protracted depressions suffered by this country since the Civil War followed two periods during which the wages of labor showed the greatest increases. From 1860 to 1873 the hourly earnings of labor increased 77%. President Grant in his campaign for re-election in 1872 would have been justified in pointing out, if he were so minded, that labor never had it so good. From 1873 to 1879 the United States was engulfed by one of the longest depressions in its history.

In the six years from 1914 to 1920 hourly wages showed an increase of 130%. This increase in labor costs contributed to the wage-price-credit spiral that preceded the primary postwar depression of 1920-1921. Between 1920 and 1922 average wage rates declined 12% but by 1928 all of this loss had been recovered. Wage rates in 1928 were thus at the record postwar highs, with all of the 130% increase resulting from the war fully retained. Furthermore, the purchasing power of wages in 1928 was greater than at the 1920 peak because the cost of living had declined 14% during these eight years. Certainly in the 1928 campaign Mr. Hoover would have been thoroughly justified if he had bluntly asserted that labor never had it so good.

However, we all know now, either from personal experience or as a result of listening to Democratic politicians over the past 20 years, that the United States from 1929 to 1932 suffered the deepest and the most completely politically-exploited depression in its history. The fact that wage rates were at the peak of a 130% advance in 14 years was no more helpful in preventing a depression than was the 13 year 77% advance in wages in 1873.

Between 1929 and 1933 average hourly earnings declined a little more than 20% but by 1936 practically all of this decline had been regained. During 1937, as a result of the aggressive policies pursued by Mr. John L. Lewis and his Congress of Industrial Organizations average hourly earnings jumped 10% above the high level of 1929 and started the steady uptrend that by May, 1952, carried hourly wages 193% above the average for 1929. Of this total only a little more than 10% was contributed during the first six years of New Deal efforts to reflate the domestic peacetime economy. More than 180% was added after the Hitler-Stalin friendship pact in August, 1939 and 154% after Pearl Harbor, since which episode the publicly proclaimed policies of the Federal Administration have been primarily concerned with combating inflation while forced to make gigantic expenditures in carrying on the hot war against Hitler and the cold war against Stalin.

The economic excesses of the New Deal-Fair Deal cycle have been a by-product of the "Be Kind to Labor and Farmers Because We Need Their Votes Policy." These are not the kind of economic excesses that can produce an unexpected, concentrated crash. These are the kind of economic excesses, however, that over a period of years can produce serious maladjustments. Such maladjustments will gradually choke off prosperity as a result of the inability of the economy as a whole to absorb the increased costs resulting from these political policies.

Certain industries and types of companies have already felt the depressing effects of the combination of an important decline in demand resulting from high costs. Slowly, over a period of several years, despite the defense spending cushion, increasing costs will bring a new type of "Smothered With Kindness Depression." During this period there should be a number of worthwhile intermediate trading swings in the stock market because stock prices are relatively very low and the impact of the new kind of depression should be very gradual.

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Speculation in Color and Depth

paragraphs to view what it is, and how good a cut at possible profits is afforded by company shares you can buy in the market.

The company everyone is mentioning is Cinerama, Inc. and you shoud take no step whatever, pro or con, till you have perused the prospectus of this company, dated March 3, 1952, covering its offering of convertible debentures. In that document, the process is described as "a new method of photographing, recording and projecting moving pictures, utilizing a triple-lens camera, multiple microphones, three projectors, and a large curved screen, in such a way as to provide a realistic three dimensional perspective as to both sight and sound." The end result is a life like picture in depth, like the old fashioned stereoscope which you will remember (if you're as old or older than I am) as the standard parlor entertainment gadget of the early 1900's.

For the would-be speculator, certain other points about Cinerama, Inc. should also be noted. It does not own the patents, but has all rights to them. Another company, Vitarama, owns these, and is to receive (under conditions spelled out in the prospectus) from 5% for leases of apparatus and equipment in the "theatrical entertainment field" to 10% of gross of Cinerama, Inc. for use of same, under license, in other fields. Further, the company has a contract with Cinerama Production Corp. (formerly Thomas-Todd Productions, Inc.) under which it is to receive a share in the receipts from Cinerama public showings (like the one on Broadway) of 25% of the first $500,000, scaling down to 10% (again — see prospectus) of gate income of $1 million and over. It should be noted that the industry as a whole does a gross business of better than $1,500,000,000, even in a bad year, and better than two-thirds of that is being done by the larger theatres where Cinerama is most adaptable. The production company (stock privately held) has an exclusive license for production and distribution of entertainment pictures through 1956, provided they have $1,000,000 available for a second picture by Dec. 31, 1952 and thereafter must make two pictures a year until 1956, to hold the license.

Thus, those who view Cinerama, Inc. as a vehicle for their sharing in the future of this fascinating new movie, should perceive that another company will receive the major share of production and distribution profits, at least till 1957; while the function of Cinerama, Inc. is to supply cameras and other production and exhibition equipment.

Then, too, close critics have found Cinerama not completely perfect, with some lines and shadings in the picture where the coverage of each camera merges with its neighbor. Moreover, there is no certainty that other inventions or processes may not duplicate, or improve upon, Cinerama, perhaps at lower cost. And, finally, there is a substantial cost element involved in equipping each theater for Cinerama Projection.

From the financial side, it is absolutely impossible to predict earning power with any accuracy, although it is hoped by the management to have a number of theaters in other cities, showing Cinerama. If they, too, pack 'em in as they're doing in New York, with several weeks' advance sales, then significant profits should materialize. Bear in mind, however, that most of the entrepreneurs in Cinerama, Inc. bought their shares much lower than today's quotations. There are right now 1,749,300 shares of common extant, with subscription rights for 500,000 more running to Cinerama Production Corp., at prices up to $6, 50,000 more to underwriters, at $3, and 333,000 shares more to be issued if debenture holders convert. This adds up to a possible 2,632,000 shares that might be issued and you must figure for yourself how much gross earnings would be necessary to justify present market price of the shares, $8.25, up over $3 since the picture began showing. The production company and Reeves Soundcraft Corp. are reported to hold, between them, about 53% of Cinerama, Inc. common, and much verve has apparently been added to the stock by reports that Mr. L. B. Mayer is a large holder, and on Oct. 20 that he was elected Chairman of Cinerama Products, Inc. might perhaps be a catalyst for merging the company at a later date.

The foregoing commentary is offered you as neither a rejection nor a recommendation of this romantic item in the over-the-counter market. It is offered as somewhat informative, and as a virtual command to you to get all the latest and fullest facts (none of which you will find here) before reaching a value appraisal of this obviously glamorous and obviously highly volatile equity.

Speculations in color and depth may fascinate you; but don't let them move you into a dream world of unreality. In an inflationary era, even glamour can be overpriced! You are the one who has to decide when, or if, it is!

Robert F. Bates Joins Marache, Dofflemyre

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Robert F. Bates has become associated with Marache, Dofflemyre & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Bates was formerly with Pacific Coast Securities Company and Hannaford & Talbot. Prior thereto he was manager of the trading department of the local office of First California Company.

With Douglass & Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—John C. McCarthy has joined the staff of Douglass & Co., 464 North Bedford Drive. He was previously with E. D. Baring-Gould.

2 With Douglas Hammond

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif.—Ned Silverman and Otto E. Tappe have become affiliated with Douglas A. Hammond. Mr. Tappe was previously with Mitchum, Tully & Co.

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The Bull Market Is Not Over!

two, and would be off-set by those who follow the formula plan of investing.

Several weeks later at dinner I sat next to another very prominent forecaster with a fine record of correct forecasts, who spent one hour endeavoring to prove to me that odd lot buying was in excess of odd lot selling and the market was due for a correction. I point this out, not to advertise others' interpretations, because there is no one in the business who has always been correct, but to emphasize the point that many of the same forecasts during the past two years have been literally shrieking "wolf, wolf" from the house tops, and warning of the imminent relapse or even collapse in the market. Now today I read and hear on all sides about the powerful deflationary forces at work, that the capital investment phase is slowly drawing to a close and that defense spending is reaching and will soon pass its peak.

An Unusual Amount of Cautiousness and Conservatism

It seems to me that we have had an unusual amount of cautiousness and conservatism in the market for a long time, and that this has tended to keep the market free of excessive speculation, and has kept all reactions during the past two years within well restrained limits, even this last one. As the National City Bank so rightly pointed out in its recent economic bulletin, "It is indisputable that dampening the boom acts to defer and moderate the reaction." During the past year you have heard a great deal about the effect of the steel strike, and now we are at the election crossroads, with everyone concerned with what effect the election will have on the stock market. At times like this it is wise not only to check very carefully the present business picture, but also to refer to the technical position of the market, and to look for clues as to the direction of the next move of importance.

First on the business picture: The other day I had the privilege of listing to a prominent economist discussing the general business picture, and it was his opinion that business for 1953 would be more uniform, that government armament expenditures would be $10 billion higher next year, and that capital expenditures would reach a new high in the third quarter this year and even higher in the fourth quarter. The reason for this was the tremendous amount of unfinished business that had not been completed under already authorized Certificates of Necessity, and also a big backlog of residential construction. On inventories he felt that they were about in line with the present level of business. On savings he felt that disposable income had held up relatively well regardless of taxes. Savings were about 7% as against 9% last year. In general, he felt that there were no major factors in the business picture that looked weak, and that 1953 would be a very normal year.

Another economist stated that he felt that industrial manufacturers were once more working against a huge backlog of unfilled orders instead of trying to liquidate stocks, and that the heavy industries have on hand enough orders to keep them at peak operations for many months. Still another top economist is forecasting gross national production of $359 billion for 1952, which is about 5% above last year, and expects spending to point up in the first quarter of 1953.

I cite this economic background from experts because it seems important in evaluating and correlating the overall picture behind the present market action. There are other important factors which seem to be pertinent to this present picture. Speculation has not been running wild—far from it. All advances have been very orderly. Most industries are booming with employment reaching new highs. Net earnings are satisfactory and the ratio of current market prices to dividends continues relatively low especially in relation to bonds. If an economist had predicted in 1950 that net earnings of corporations after taxes had reached a peak and that gross private investment would also reach a peak, he would have been right, because these two factors alone have been in a declining trend since 1950. An economist, smart enough to predict falling net profits, might also forecast declining stock prices. On the averages he would have been completely wrong. These reversals of stock market action based on psychology have gone contrary to economic forecasts for many periods in stock market history. The outstanding example, perhaps, is 1946 when we had a severe collapse in the stock market which was clearly pictured technically, yet earnings were beginning to turn the corner and point higher.

Earnings and Stock Prices

There have been many examples in the past where stock prices did not follow earnings—too many to cite. With the present conflicting and confusing trend as to earnings, armament spending and last but not least the election, a close examination of the technical side of the market has always seemed to me most important. Let me say at the beginning, that I have never seen anyone who has been able to forecast the market 100%, all claims to the contrary notwithstanding, and I am certainly no exception to this. You cannot reduce to an exact mathematical formula anything so variable as the buying and selling of stocks by human beings motivated by different purposes and opinions, but the interpretation of charts does give you some idea of what other buyers and sellers are doing. When a man invests his money in stocks, the actual transaction is recorded on the tape and this is money on the line so to speak, not a curbstone opinion. I do not intend to go into all the various reasons for using charts except to say that if you use charts to the exclusion of fundamental research and economic background, you make a very serious mistake, and it seems to me that the best results are obtained by the teamwork between the chartist and the statistician. I will also say that charts do give you an insight on what is the best time to buy and sell stocks and that sometimes the most obvious interpretation of news and statistics does not always turn out to be the correct one. I prefer to think of myself as a "securitician" or a "technalycist" rather than a technician. I don't like that word "Technician."

What's Ahead in the Market

Now sticking my neck out and making a prediction on the market, I am reminded of the M-G-M lion who roars before each picture and he roars just as loud whether the picture is a hit or just plain terrible. Today I can't roar as loudly about certain segments of the market as others, in fact I should only whisper, and this forecast may also turn out to be terrible, in which case you will surely remember it. Today my present feeling might be characterized and described as being a cowardly bull. I am cowardly because of so much obviously unfavorable news and predictions of things to come that I hear on all sides. I am bullish because I see so many good technical patterns unfolding which have had long drawn out corrections and other patterns which indicate considerably higher prices and have not been exploited as yet.

I realize that it is trite to say that we have been going through a great deal of selectivity in the action of various groups, but also on individual stocks within each group. There has been no simultaneous reaction. It has been a staggering, twisting, rolling readjustment with the drugs, rayon textiles, motion pictures, retail trade, liquors, tobaccos, copper and lead and more recently the oils experiencing a declining, a readjustment phase. Yet, through all this the averages are only down about 5% from their top and the yearly range in stock prices has been only about 12%. Actually, about 52% of the stocks on the big board have gone down from the first of the year and about 48% have gone up. It would be very unusual for this bull market to end in this way. Most bull markets in the past have ended in a blaze of glory with violent speculation, especially in the low priced stocks. In addition, the present market is selling at about 11 times 1952 estimated earnings of about $24, paying $15 in dividends and yielding close to 6%. In 1930 when the averages were at approximately this point they were earning $10, paying $7 in dividends and yielding 4%. The financial community today is literally seething with divergent views on what is likely to happen. In general there is too much company on the bearish side.

The decline in the averages we experienced last week held within normal technical limits of a full ⅔ intermediate secondary correction of the rally from 255 to 281 which took place this spring and summer. In percentage this is the smallest correction we have had in the market for some time. It seems as though this correction in many individual stocks has about spent its force and after a period of readjustment and consolidation, which will now take a longer time to reform a base, that a renewal of the major upward trend will continue. There is no technical evidence as yet that this reaction is the beginning of a bear trend. After election we naturally will have to go through the period of tax selling which will take place in November and the early part of December and which will cause further irregularity and delay in many of the stocks which have recently reached new lows. In terms of the Dow Averages, I doubt that a new low will be made by more than 2 to 4 points, possibly the 260-262 level on the Industrials and the 95-96 level on the rails. I still think we have a good chance of seeing new highs in both these averages—287-292 for the industrials and 108-110 in the rails at a later date.

Position of Groups of Stocks

Now to be as specific as possible about a few groups of stocks and individual issues. You don't buy the market as a whole, you buy individual stocks. The oils have led this market down and have suffered a 15% to 20% decline from their 1952 highs. There is at present no technical evidence of a major upward move in this group, but selling now close to a 6% yield basis it would seem that from approximately these levels they woud be entitled to some recovery movement. The oils still need a good long healthy period of reaccumulation. Therefore I would be inclined to use such a recovery to lighten position in this group.

The metals are another group which have been weak lately, but from present prices I believe that they also are entitled to some recovery move. The rails have shown relatively strong action on this setback in holding above their September lows. Many of the lower priced rails such as Erie, Baltimore & Ohio, Chicago, Milwaukee & St. Paul, Pennsylvania, St. Louis, San Francisco and New York Central appear headed for higher levels and could be bought on further weakness. Southern Railway is my favorite among the higher priced rails and I like Great Northern RR. pfd. which also has a strong technical picture.

The three groups which look the best to me from a longer range technical angle are the aircrafts, television and electronic, and air-conditioning stocks. I particularly like the technical position of United Aircraft, Lockheed, Boeing, Grumman, Beech, Douglas, Cessna and Republic. In the television stocks I see considerably higher prices for Radio, Philco, Magnavox and Admiral over the longer term. International Tel. & Tel. definitely also looks like a good buy at current prices. Carrier, Servel and York should be purchased on further weakness. These stocks are in strong technical position to reach considerably higher levels. The airlines, United, American and Eastern are slowly reaccumulating for another upward move.

One of the reasons why I cannot get too bearish on the market is because so many groups of stocks have been selling at such low levels for a long period of time and one such group is the retail trade. If the economists are right in telling us that consumer spending will reach a new high next year, it stands to reason that some of this spending will seep through to the department stores and in this connection the technical position of Allied Stores, Associated Dry Goods, May Department Stores, Marshall Field and Federated indicate these to be good buys on any further very minor correction. Montgomery Ward looks like a pretty good buy between 53-55.

Other groups of stocks which should be watched carefully are the chemicals. It looks as though this group is pretty well sold out, and are in the process of reforming a base for another upward swing. I refer to stocks such as Monsanto, American Cyanamid, Mathieson and DuPont. The possible elimination of the excess profits tax next year will materially help this group. Selective motor accessory stocks indicate higher levels. I particularly recommend stocks like Electric Auto-Lite, Bendix, Briggs, Standard Steel Spring and Motor Products in this group. On the motors I would like to be able to buy Chrysler at 73-75 and Motors at approximately 55-56 but I'm not sure they will be available at these prices. As defensive stocks, the tobaccos like Philip Morris are beginning to look interesting even though lower earnings may result in some reduction or elimination of the extra dividends this year-end. The grocery chains such as American Stores and Safeway, and of course the utilities and foods, are defensive stocks. The paper stocks may go a little lower, but International Paper at 45-46, Kimberly-Clark at 43-44, St. Regis at 18 and Mead Corp. at 23-24 look like interesting buys for the longer pull. Container also looks very interesting. The steels are basing out slowly and are in buying range for a reasonable upward move.

There are many other individual stocks in addition to those in the groups mentioned above which look extremely interesting at current levels and which should reach higher prices. In general, I continue to maintain a selectively bullish position and I believe that the ownership of stocks should work out better than holding cash. I further believe that the period ahead will provide a very attractive buying opportunity. I can't roar quite as vigorously as I have done in the past about the market, but I can still bark a little.

Benson & Hedges Debs. and Stock Offered

Morgan Stanley & Co. and associates yesterday (Oct. 22) offered to the public $3,000,000 Benson and Hedges 15-year 4½% sinking fund debentures dated Oct. 1, 1952 and due Oct. 1, 1967. The debentures are priced at 100% and accrued interest, to yield 4.50%.

Contemporaneously with the offering of debentures Benson and Hedges is offering to holders of its outstanding common stock the right to subscribe at $23.50 a share for an aggregate of 39,738 additional shares of common stock on the basis of one additional share for each ten shares held on Oct. 20, 1952. Subscription rights expire on Nov. 3, 1952. Tobacco & Allied Stocks, Inc., beneficial owner of about 55% of the outstanding stock of Benson and Hedges, has agreed to exercise all rights which it receives as a stockholder of the company and also to purchase, at the subscription price, any unsubscribed stock.

Net proceeds from the sale of the debentures and of the additional common stock will be added to the general funds of the company. Approximately $1,750,000 of such proceeds will be used to reduce notes payable outstanding in the amount of $3,200,000 as of Sept. 30, 1952, and the balance will be used principally for the purchase of leaf tobacco and for additional manufacturing facilities.

A sinking fund will provide annual payments which will redeem on Oct. 1, 1953 through 1966, inclusive, $200,000 principal amount of the debentures at a price of 100%, plus accrued interest. The company has the right to increase any payment up to an amount sufficient to redeem an additional $200,000 principal amount of debentures. The debentures will be redeemable at the option of the company, in whole or in part, at 104% to and including Oct. 1, 1955, at decreasing prices thereafter to and including Oct. 1, 1964 and thereafter at 100%, plus accrued interest in each case.

Benson and Hedges is engaged primarily in the business of manufacturing and selling cigarettes. Its principal product is Parliament filter-mouthpiece cigarettes, which have constituted over 90% of the company's sales since 1950. The company also manufactures and sells several other brands of cigarettes, smoking tobacco, and sells several brand cigars, both domestic and imported, all of which are manufactured by others for the company. For the six months ended June 30, 1952, net sales totaled $9,021,963 and net income applicable to the common was $328,314, equal to 83 cents a share.

Other members of the group are Clark, Dodge & Co., Lee Higginson Corp., and Wertheim & Co.

Williamson Opens

FORT PIERCE, Fla.—Hybert J. Williamson is engaging in the securities business from offices at 100 South Indian River Drive.

Now Baruch & Co.

The firm name of Baruch, Rothschild & Co., Inc., 44 Wall Street, New York City, has been changed to Baruch & Co., Inc.

Franz Bachmann Opens

Franz Bachmann is engaging in a securities business from offices at 61 Broadway, New York City.

George Diason Opens

George Diason is engaging in the securities business from offices at 2324 Paulding Avenue, Bronx, New York.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Oct. 26	106.6	*106.5	104.0	102.9
Equivalent to—					
Steel ingots and castings (net tons)	Oct. 26	2,214,000	*2,211,000	2,160,000	2,057,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Oct. 11	6,517,100	6,514,500	6,460,500	6,329,350
Crude runs to stills—daily average (bbls.)	Oct. 11	†6,854,000	6,928,000	7,059,000	6,426,000
Gasoline output (bbls.)	Oct. 11	23,032,000	23,451,000	24,132,000	21,330,000
Kerosene output (bbls.)	Oct. 11	2,640,000	2,595,000	2,512,000	2,437,000
Distillate fuel oil output (bbls.)	Oct. 11	10,094,000	10,423,000	10,388,000	8,799,000
Residual fuel oil output (bbls.)	Oct. 11	8,188,000	8,966,000	8,523,000	8,396,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Oct. 11	120,910,000	119,793,000	117,296,000	121,895,000
Kerosene (bbls.) at	Oct. 11	35,529,000	35,212,000	33,724,000	36,007,000
Distillate fuel oil (bbls.) at	Oct. 11	120,076,000	118,078,000	108,641,000	107,224,000
Residual fuel oil (bbls.) at	Oct. 11	54,423,000	54,617,000	53,274,000	50,378,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Oct. 11	842,713	851,866	881,218	868,683
Revenue freight received from connections (no. of cars)	Oct. 11	700,008	723,941	691,166	696,338
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Oct. 16	$333,337,000	$341,573,000	$260,495,000	$195,220,000
Private construction	Oct. 16	206,213,000	204,680,000	130,686,000	124,169,000
Public construction	Oct. 16	127,124,000	136,893,000	129,809,000	71,051,000
State and municipal	Oct. 16	56,801,000	93,093,000	86,344,000	52,682,000
Federal	Oct. 16	70,323,000	43,800,000	43,465,000	18,369,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Oct. 11	9,050,000	*9,075,000	11,850,000	11,030,000
Pennsylvania anthracite (tons)	Oct. 11	884,000	863,000	925,000	1,049,000
Beehive coke (tons)	Oct. 11	85,600	*87,900	86,300	138,100
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Oct. 11	125	116	114	117
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Oct. 18	7,681,332	7,697,680	7,724,664	7,149,458
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Oct. 16	139	147	145	157
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Oct. 14	4.376c	4.376c	4.376c	4.131c
Pig iron (per gross ton)	Oct. 14	$55.26	$55.26	$55.26	$52.72
Scrap steel (per gross ton)	Oct. 14	$42.00	$42.00	$42.00	$43.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Oct. 15	24.200c	24.200c	24.200c	24.200c
Export refinery at	Oct. 15	34.825c	34.575c	35.275c	27.425c
Straits tin (New York) at	Oct. 15	121.500c	121.500c	121.500c	103.000c
Lead (New York) at	Oct. 14	14.000c	15.000c	16.000c	19.000c
Lead (St. Louis) at	Oct. 15	13.800c	14.800c	15.800c	18.800c
Zinc (East St. Louis) at	Oct. 15	13.500c	13.500c	14.500c	19.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Oct. 21	96.63	96.29	96.67	97.69
Average corporate	Oct. 21	108.88	109.06	109.42	110.70
Aaa	Oct. 11	112.75	112.93	113.89	115.24
Aa	Oct. 21	111.44	111.62	111.81	114.46
A	Oct. 21	108.52	108.70	109.06	109.79
Baa	Oct. 21	103.30	103.47	103.64	103.80
Railroad Group	Oct. 21	105.86	106.21	106.56	107.62
Public Utilities Group	Oct. 21	108.88	109.06	109.42	110.15
Industrials Group	Oct. 21	111.81	112.19	112.93	114.27
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Oct. 21	2.73	2.76	2.73	2.65
Average corporate	Oct. 21	3.23	3.22	3.20	3.23
Aaa	Oct. 21	3.02	3.01	2.96	2.89
Aa	Oct. 21	3.09	3.08	3.07	2.93
A	Oct. 21	3.25	3.24	3.22	3.18
Baa	Oct. 21	3.55	3.54	3.53	3.52
Railroad Group	Oct. 21	3.40	3.38	3.36	3.30
Public Utilities Group	Oct. 21	3.23	3.22	3.20	3.16
Industrials Group	Oct. 21	3.07	3.05	3.01	2.94
MOODY'S COMMODITY INDEX	Oct. 21	415.3	418.9	426.3	462.5
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Oct. 11	236,587	335,236	241,601	171,817
Production (tons)	Oct. 11	245,680	240,751	233,756	211,413
Percentage of activity	Oct. 11	96	95	93	90
Unfilled orders (tons) at end of period	Oct. 11	544,741	553,261	488,931	486,887
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Oct. 17	109.39	*109.28	109.48	116.14
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Oct. 4	25,166	24,083	18,965	35,600
Number of shares	Oct. 4	696,284	689,120	532,684	1,054,653
Dollar value	Oct. 4	$32,638,271	$31,188,227	$24,707,669	$45,273,573
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Oct. 4	20,720	21,292	17,577	31,437
Customers' short sales	Oct. 4	141	128	106	181
Customers' other sales	Oct. 4	20,579	21,164	17,471	31,256
Number of shares—Total sales					
Customers' short sales	Oct. 4	581,641	599,922	470,226	907,734
Customers' other sales	Oct. 4	4,798	4,840	3,649	6,453
Dollar value	Oct. 4	576,843	595,082	466,577	901,281
Round-lot sales by dealers—	Oct. 4	$23,886,623	$24,376,660	$19,269,163	$35,613,509
Number of shares—Total sales	Oct. 4	176,730	173,400	142,870	237,170
Short sales	Oct. 4	------	------	------	------
Other sales	Oct. 4	176,730	173,400	142,870	237,170
Round-lot purchases by dealers—					
Number of shares	Oct. 4	269,520	276,640	201,730	399,260
TOTAL ROUND-LOT STOCK SALES ON THE NEW YORK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	Sep. 27	208,970	190,800	124,940	278,140
Other sales	Sep. 27	6,661,000	5,626,080	4,578,730	8,428,970
Total sales	Sep. 27	6,869,970	5,816,880	4,703,670	8,707,110
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS					
Transactions of specialists in stocks in which registered—					
Total purchases	Sep. 27	656,710	556,920	450,960	881,670
Short sales	Sep. 27	107,590	89,140	72,510	155,580
Other sales	Sep. 27	512,110	427,290	336,350	733,930
Total sales	Sep. 27	619,700	516,430	408,860	889,510
Other transactions initiated on the floor—					
Total purchases	Sep. 27	190,840	136,020	86,400	226,350
Short sales	Sep. 27	13,100	15,400	5,200	11,700
Other sales	Sep. 27	183,140	111,800	70,130	274,100
Total sales	Sep. 27	196,240	127,200	75,330	285,800
Other transactions initiated off the floor—					
Total purchases	Sep. 27	221,950	212,950	177,770	278,860
Short sales	Sep. 27	34,670	31,800	16,460	37,750
Other sales	Sep. 27	259,170	225,295	198,690	326,852
Total sales	Sep. 27	293,840	257,095	215,150	364,602
Total round-lot transactions for account of members—					
Total purchases	Sep. 27	1,069,500	905,890	715,130	1,386,880
Short sales	Sep. 27	155,360	136,340	94,170	205,030
Other sales	Sep. 27	954,420	764,385	605,170	1,334,882
Total sales	Sep. 27	1,109,780	900,725	699,340	1,539,912
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—(1947-49 = 100):					
Commodity Group—					
All commodities	Oct. 14	110.7	*111.1	111.3	------
Farm products	Oct. 14	104.6	*106.6	106.2	------
Processed foods	Oct. 14	108.1	*108.5	110.0	------
Meats	Oct. 14	107.3	108.3	112.9	------
All commodities other than farm and foods	Oct. 14	112.6	112.6	112.7	------

*Revised figure. †Includes 592,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
BUILDING CONSTRUCTION PERMIT VALUATION IN URBAN AREAS OF THE U. S. —U. S. DEPT. OF LABOR — Month of July (000's omitted):			
All building construction	$796,623	$869,290	$734,580
New residential	443,760	476,426	384,680
New nonresidential	244,973	275,250	240,741
Additions, alterations, etc.	107,890	117,614	109,159
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR — Month of Sept. (in millions):			
Total new construction	$3,112	$3,129	$2,934
Private construction	2,037	2,040	1,955
Residential building (nonfarm)	1,053	1,048	958
New dwelling units	935	930	849
Additions and alterations	100	100	93
Nonhousekeeping	18	18	16
Nonresidential building (nonfarm)	433	420	460
Industrial	188	181	210
Commercial	101	98	101
Warehouses, office and loft buildings	44	43	45
Stores, restaurants, and garages	57	55	56
Other nonresidential building	144	141	149
Religious	38	37	42
Educational	34	32	32
Social and recreational	13	12	12
Hospital and institutional	32	34	37
Miscellaneous	27	26	26
Farm construction	168	183	179
Public utilities	376	381	352
Railroad	37	37	35
Telephone and telegraph	48	48	43
Other public utilities	291	296	274
All other private	7	8	6
Public construction	1,075	1,089	979
Residential building	53	54	63
Nonresidential building	378	380	319
Industrial	162	168	103
Educational	141	139	136
Hospital and institutional	42	41	40
Other nonresidential building	33	32	40
Military and naval facilities	153	152	129
Highways	325	335	303
Sewer and water	62	64	60
Miscellaneous public-service enterprises	22	19	21
Conservation and development	77	79	77
All other public	5	6	7
CASH DIVIDENDS — PUBLICLY REPORTED BY U. S. CORPORATIONS — U. S. DEPARTMENT OF COMMERCE — Month of September (000's omitted)	$1,158,000	$231,000	$1,148,400
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of September (000's omitted):			
Total U. S. construction	$952,218	$2,210,572	$917,158
Private construction	441,893	503,431	455,652
Public construction	510,325	1,707,141	461,506
State and municipal	267,607	294,149	304,805
Federal	242,718	1,412,992	156,701
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM — Estimated short-term Credit in millions as of August 31:			
Total consumer credit	$21,393	*$21,220	$19,262
Instalment credit	14,907	*14,751	13,045
Sale credit	8,129	*8,048	7,247
Automobile	4,620	*4,606	4,138
Other	3,509	*3,442	3,109
Loan credit	6,778	*6,703	5,798
Noninstalment credit	6,486	*6,469	6,217
Charge accounts	3,891	3,891	3,724
Single payment loans	1,461	*1,444	1,398
Service credit	1,134	*1,134	1,095
CONSUMER PURCHASES OF COMMODITIES — DUN & BRADSTREET, INC. (1935-1939=100)—Month of September	338.0	347.3	321.6
COTTON PRODUCTION — U. S. DEPT. OF AGRICULTURE—Estimates as of Oct. 1			
Production 500-lb. gross bales	14,413,000	13,889,000	15,144,000
CROP PRODUCTION — CROP REPORTING BOARD U. S. DEPARTMENT OF AGRICULTURE—As of Oct. 1 (in thousands):			
Corn, all (bushels)	3,256,550	3,185,237	2,941,423
Wheat, all (bushels)	1,298,921	1,298,295	987,474
Winter (bushels)	1,062,590	1,062,590	645,469
All spring (bushels)	236,331	235,705	342,005
Durum	21,424	21,593	35,820
Other spring (bushels)	214,907	214,112	306,185
Oats (bushels)	1,265,660	1,263,886	1,316,396
Barley (bushels)	222,476	221,138	254,668
Rye (bushels)	15,759	15,759	21,410
Flaxseed (bushels)	31,033	30,685	33,802
Rice (100 pound bags)	47,730	46,218	43,805
Sorghum grain, (bushels)	70,996	72,377	159,265
Cotton (bales)	14,413	13,889	15,144
Hay, all (tons)	103,858	102,417	108,461
Hay, wild (tons)	11,083	11,083	12,563
Hay, alfalfa (tons)	42,040	41,089	42,937
Hay, clover and timothy (tons)	31,043	31,043	32,035
Hay, lespedeza (tons)	5,895	5,590	7,479
Beans, dry edible (100 pound bags)	16,291	15,529	17,446
Peas, dry field (bags)	2,697	2,697	3,763
Soybeans for beans (bushels)	286,209	275,929	280,512
Peanuts (pounds)	1,225,145	1,188,225	1,676,125
Potatoes (bushels)	345,561	337,685	325,708
Sweetpotatoes (bushels)	30,814	29,669	28,278
Tobacco (pounds)	2,234,535	2,210,435	2,328,226
Sugarcane for sugar and seed (tons)	7,424	7,717	6,120
Sugar beets (tons)	10,334	10,166	10,485
Broomcorn (tons)	a	28	34
Hops (pounds)	61,330	61,342	63,239
Apples, commercial crop (bushels)	95,975	98,058	110,660
Peaches (bushels)	62,622	61,626	63,627
Pears (bushels)	30,879	29,833	30,028
Grapes (tons)	3,092	3,027	3,386
Cherries (12 States) (tons)	202	202	230
Apricots (3 States) (tons)	174	174	183
Cranberries (5 States) (barrels)	812	980	910
Pecans (pounds)	127,256	125,566	154,895
a No estimate for October.			
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of September:			
Net sales	------	------	------
Net purchases	$3,545,450	$1,871,150	$2,807,800
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS — Month of August (000's omitted):			
Exports	$1,070,400	$1,015,900	$1,2[illegible]
Imports	817,000	837,000	880,800

Continued from page 6

Present and Prospective Place of Nuclear Energy in Electric Power

because the economics of the power is inextricably linked with sale of plutonium. So far as we can now tell a market for plutonium means a government market for the metal to make and stockpile bombs. If the market for plutonium ceases or contracts, the value of the power becomes questionable unless it has been guaranteed by a long-term government underwriting which would persist regardless of the sale of the metal upon which the economics of the byproduct depends. The difficulty of assuring a permanent market for plutonium is evidenced by the recent statement of Chairman Dean of the Atomic Energy Commission that there will come a time when we can stop our urgent drive to make more and more atomic weapons and sit back, look at our stockpile and say now we have enough.

Even if this time as envisioned by Mr. Gordon Dean is considered to be a good many years off, the contingency to which he has drawn attention must radically affect and limit the development of nuclear power plants as a byproduct of the plutonium process. When we plan power plants for commercial use economics requires that we think of them in terms of a useful life of 25, 30 or even 40 or more years. It is difficult, therefore, to think of byproduct nuclear power plants being developed other than on the very exceptional basis of long-term government commitment to buy the plutonium at a fixed price or otherwise to underwrite the project.

Whatever the value and the interest in proceeding with present developments of ideas for such plants, in the end hope for nuclear energy as a more or less permanent economical source of power must rest on the straight power reactor and the breeder reactor. And the optimism of recent months, however justified, has not grown particularly out of any spectacular developments in relation to such reactors. As to them, while we are certainly ahead of the point where we stood when people were saying, several years ago, that it would be a matter of "decades" before we had economical power, there is no reason for believing that we are unexpectedly further ahead.

So that all of this gratifying experience, actual and in prospect, still leaves us quite far removed from a real solution to the problem of producing nuclear energy economically and of making it contribute significantly to satisfy our overall requirements for electric energy.

The foregoing resume is not intended to suggest that the "current optimism" of which Mr. Dean spoke is wrong. I share his observation that a look "into this atomic energy package to see just what there is in it for peace" does reveal today a "brighter picture than it would have revealed as recently as a year or even six months ago." But one of our worst habits is to indulge in wide swings of mood between pessimism and optimism, a disposition that prevents us from having a true perspective. There is certainly room for optimism in the solid achievements of the last year or so. But the achievements have been modest as compared with the ultimate dimensions of the problem. We are entitled to be optimistic but only in the sense of feeling encouraged because a long and difficult job is at last getting under way. This sense of encouragement should not be mistaken, as it so often is, for the experience of triumph that will only be justified very much later when we are on the home stretch.

Viewed in this perspective it is possible to relate the prospects for nuclear power and the effort that can and should be made to realize them to the general problem of overall requirements for electric energy and the efforts that must be made to fulfill those requirements.

The recently completed study of energy requirements by the President's Material Policy Commission indicated that the electric requirements of the country will be nearly quadrupled between 1950 and 1975. The report further predicts that the proportion of these needs to be supplied from fuel will substantially increase over 1950. No responsible authority is today suggesting that we shall be able to supply any large proportion of this fuel between now and 1975 by nuclear energy. Whether and to what extent nuclear energy assumes a large role in the long-term picture depends upon the developments that occur in the field in the years immediately ahead. And these developments, even if highly favorable, are not likely to tell us that nuclear energy will solve our power problems of the next 25 years. Rather, even assuming we have good luck, we are likely to learn only that a beginning can be made in the next 25 years which can make significant contributions to economical power supply in still later periods.

If this is a fair description of the prospects for nuclear power, then it becomes clear that we should strive for a healthy balance between the hope and the effort which we invest on the one hand in nuclear development and the hope and the effort that we invest on the other in improving the techniques by which electric energy is produced in conventional means.

The nature of this problem can be illustrated by the situation in respect of coal. We are not alone concerned with fulfilling the expanding requirements for electric energy between today and 1975. We must also supply them as cheaply as possible. The PMPC forecast is that the total energy to be generated in 1975 will rise from the figure of not quite four hundred billion kilowatt hours in 1950 to 1,400 billion in 1975; that the percentage of thermal generation will increase from about 75% in 1950 to 80% or higher in 1975, with coal which supplied about two-thirds of thermal generation in 1950, supplying nearly three-quarters of it in 1975. But the real problem is not going to be to find the large increase in coal that this will call for. The real problem is to find this large quantity of coal on an economical basis.

As the PMPC report and others have pointed out, a number of unfavorable developments have been taking place in the coal industry, and particularly in that part of the coal industry dedicated to the fuel as distinguished from chemical or matallurgical use. Broadly these are the loss of the railroad fuel market due to the heavy and still accelerating trend toward dieselization, the loss of the domestic fuel market to liquid fuels —oil and gas—and the rise in the cost of mining coal. An examination of the changes in price levels at the point of production shows that bituminous coal—main source of fuel for power plants—suffers badly in comparison with other fuels. In the decade 1940-1950 there was roughly a 45% rise in the price of natural gas; 125% in anthracite; 150% in crude petroleum. In bituminous coal price went up more than 150%. In the same decade the wholesale price index experienced a rise of a little over 100%. So that at a time when electric energy requirements are going up rapidly, the proportion of coal used to produce the energy is increasing, and the price of coal, the chief element in the production cost of electricity, is also rising. These are the trends which have been manifesting themselves and with which we must be concerned for the period which the PMPC report took account—the two decades immediately ahead.

These are not sound trends from the standpoint of expanding our energy use, nor from the standpoint of expanding our economy as a whole. But we should not be dismayed by the picture. Our past experience should tell us that we can take steps to overcome these adverse factors. Certainly the experience in electric power supply in the United States over the past several decades should encourage us to believe that we can meet such a problem of rising costs.

Accelerated Doubling of Demand

The demand for electric power, and the capacity to meet that demand, has doubled on the average every decade for the past 40 years. This has been done while the price of electric service has been kept level or actually has been reduced while the cost of everything else was going up sharply. No better demonstration of the condition of the electric power supply of the United States can be cited than the fact that when the present expansion program of the Atomic Energy Commission is completed, it will utilize annually a quantity of energy greater than all the energy generated in the year 1950-1951 at all the power stations of the British Electricity Authority serving all of Great Britain, Scotland and Wales. And this will have been done with an economy substantially in advance of that possible anywhere else in the world.

Thus we look at the immense energy requirements of the United States over the next 25 years against a background of having satisfied increasing requirements also of a large order of magnitude in the past decades while keeping costs firmly in check—notably by increasing efficiency in transmission, in use of materials and in utilization of fuel. Our job for the future is to repeat these achievements at the same time as we try to press ahead in the whole field of energy, including atomic energy.

I mean particularly to emphasize that while we are pursuing the development of nuclear power —opportunites for reducing fuel costs by resorting to nuclear fuel —we must not overlook any promising opportunities for reducing conventional coal costs. There are such opportunities and the technical problems which must be solved to realize them seem substantially less difficult and less costly than those confronting us in nuclear power. Without specifying the details of such a development program for coal, four items of great promise can be readily cited: Underground gasification continuous mining, pipe line transportation and low temperature carbonization. At least three of these four are on the threshold of realization. The fourth, underground gasification, is far less advanced. All, if successfully developed, promise material reduction in the cost of coal at the point of use. Underground gasification gives, besides, promise of substantial enhancement of the economical recovery of coal otherwise too difficut to mine.

In short, in budgeting our time, energy and money for improving our overall prospects for supplying energy requirements in the most economical way, it is necessary not only to make full allowance for the interesting and attractive investigations in relation to atomic energy but also the extremely important investigations in other fields which promise more immediate returns and on a wider scale.

Now I want to comment on the narrower question of how we can best assure that we shall make the most of our opportunity to find out whether nuclear power is commercially feasible and if we determine that it is, how best to facilitate its rapid development.

Certainly the present program that is being carried out by the Atomic Energy Commission and its contractors and the agencies collaborating with AEC needs to be supported. The research and investigations being carried out by AEC with the help of such tools as the Materials Testing Reactor and the Experimental Breeder Reactor, both of which are now in operation at the National Reactor Station in Idaho, the work of the AEC with the Homogeneous Reactor at Oak Ridge, will all materially lessen the time and reduce the cost of developing successful economic, self-supporting commercial reactors.

It is also highly desirable to continue and expand the present program of survey and study of reactor technology by private industrial groups collaborating with AEC. As I said earlier these surveys are designed to determine the possibilities of combining plutonium production with power production. While encouragement should be given to explore all promising roads, undoubtedly the path that would seem most promising is the one leading to eventual successful breeding—the production in the course of operating a reactor, of more fissionable material than is consumed. For unless a power producing breeder reactor is finally perfected, we are left with the plutonium process as a source of byproduct power, with all the inherent difficulties indicated earlier in this paper.

We need, too, a program of research and development in straight or non-regenerative reactors. This in simple words is a reactor in which fissionable material in separated or concentrated form is utilized to produce heat and thus energy. Here fissionable material is consumed and only energy is produced. Such a program involving military application is well on the road to final realization. The submarine reactor is the prime example. There will be some carry-over of technology from military to land based civilian application, but I believe that where as here limitations to direct carry-over are economic, a brand new approach is desirable. This can be accomplished only by a research program in which the single objective is a non-regenerative reactor for central station land based service. This method of approach will have advantages technically and economically: Technically—the problem will be concerned with release of the nuclear energy involved in fission in the simplest and most economical manner within the bounds of safety; from the economical standpoint—it will be possible to tell just where matters stand on costs, and it will always be possible to pass valid judgment on the economic worth or justification of the project.

Finally, as a utility executive and with the natural direct interest in this subject which such a position creates, I feel it is important that measures be devised to bring the entire electric utility industry into closer contact with what is going on in this field. I believe that this objective is desirable from the standpoint of the utility systems of the country, both the privately owned and the publicly owned. But I think that it is equally of interest to all those in and out of government who are concerned with the successful exploitation of the opportunities for peacetime uses of atomic energy.

If nuclear power becomes a commercial reality, the utility systems of the country would be the largest potential users of reactors just as they are today the largest users of the fuel fired steam boilers. It is the utility industry, therefore, which perhaps more than any other is interested in the prospects for nuclear power. The industry has the same kind of interest in technological developments in this new field that it has always had in the technology of conventional power production.

Utilities have always kept closely in touch with the new developments relating to power production and what they held for the future. This has been a necessity in order that each system could make its plans responsive to the dynamic growth which is characteristic of the industry. The industry has also found that if it was to keep costs down and improve service, it had to participate directly and effectively in promoting advances in technology.

In the field of conventional power production the utility systems have been able to make such contributions through their own work and in collaboration with the manufacturers of equipment, the producers of fuel and research institutions. It is such work which has enabled us in recent years to increase the thermal efficiency of steam plants from about 13% to 40%.

This process of technological development has been one with which all parts of our industry have been in continuous contact. Some members have taken a more active role than others. But continuously—from day to day almost —all members, large and small alike, could put themselves in a position to know and appraise what was going on, and each could decide for itself when and under what circumstances to try out or adopt new ideas. With so many segments of the industry playing a part in technological developments a variety of approaches to particular problems was assured. And because in this industry we had a tradition, almost as old as our business, of mutual sharing of technical and operating experience, we could always count upon the essential process of cross fertilization among the various different approaches. Always we have found it an important part of the process of technological development, that we should profit by the discoveries of all our colleagues that we should learn from one another's mistakes and that there should not be any significant interval between acquisition of knowledge by one of us and the sharing of that knowledge among all.

The conditions which I have been describing and which for years have been taken for granted in the power industry have in my opinion been indispensable factors in establishing the remarkable record of maintaining and even reducing cost levels at a time when general costs were going up sharply.

All of us are familiar with the reasons why these conditions do not exist today with respect to this important new field of technology. No responsible person complains about the security restrictions and the other special conditions with which, for good reasons of national policy, our government has had to surround the atomic energy program. But, notwithstanding these difficulties which stand in

the way, we need to find means of continuing the healthy conditions which have heretofore existed in my industry and which have been indispensable to technological progress. At least, if we cannot preserve in this new field exactly those conditions which fostered our progress in the past, we need to find adequate substitutes.

A start in this direction has been made in the survey projects for nuclear reactors, already referred to. These were undertaken and recently completed by four industrial groups which numbered among their members five of the larger utility systems of the country. Not long ago the Atomic Energy Commission announced a willingness to consider additional study projects along the same lines. But, while these activities represent a start in the right direction, they are seriously restricted by the fact that only a limited number of companies can possibly take part in this kind of work and there is no effective way for the rest of the industry to become intimately and currently informed about it.

Related Problems

We have several related problems: How to bring all the separate units of the industry completely into this new field. How to assure that we shall apply here, consistently with security requirements, the tradition which calls for the fullest exchange and sharing of technical experience so that each segment of the industry can profit by the advances and so that each can contribute to the advances. How to assure the government which has and will continue to have a dominant voice in this field the benefit of the full experience of this industry which is so relevant to all things connected with power development. In this last aspect of the problem I am speaking particularly about the need of the atomic energy program to make full use of that body of knowledge and experience which we call utility economics and which has been an important function of the industry's management and engineering personnel in the decisions which have to be made constantly in expanding and maintaining power resources and power networks.

It is worth while to observe that a number of simple approaches are already open to all utility systems in securing a useful introduction to the subject. They can and some of them do send selected employees to the Atomic Energy Commission's Oak Ridge School of Reactor Technology. And recently arrangements have been under way to enable some of the utilities who were not direct participants in the AEC reactor surveys to assign personnel to such surveys so that at least some men in other systems could become educated.

I feel very strongly, however, that we shall not accomplish our objective of preserving the conditions which have heretofore been favorable to technological progress in our industry if we rely exclusively upon the limited measures which are now available. We need, in addition, instruments and organization which can facilitate our efforts to get current information in the most reliable form concerning the overall and the detailed aspects of the reactor program. We need instruments and organization which will facilitate our efforts to share experience. We need instruments and organization which will help develop and make effective in our own interest and in that of the atomic energy program the concerted knowledge of the industry.

A year and a half ago a mechanism for assisting in creating such instruments and organization was visualized by the Ad Hoc Committee on Cooperation between the Electric Power Industry and the AEC. That report proposed, among other things, that an Industrial Advisory Committee be set up to create adequate contacts between the atomic energy program and the electric utility systems. We thought that such a committee would help solve the problem of bringing all of the separate units of the industry more completely into this field. By giving broad representation on a geographic basis and by giving adequate representation to both the privately owned and the publicly owned power systems, we thought that the industry as a whole could find a forum to express its interest in the subject and make its experience available to the atomic energy program. We thought that such a committee would help assure in this new field the continuation of the tradition which calls for the fullest exchange and sharing of technical experience, and that such a committee could help the government find means for achieving this objective within the limitations of security requirements. Thus far, unfortunately, neither such a committee nor any adequate substitute for such machinery has been established.

I do not suggest that the device of an industry advisory committee like that proposed by the Ad Hoc group is in itself anything more than another modest measure to add to those already available. But the hope is that through such a committee, broadly representative of the industry as a whole, other and still more effective measures of contact would evolve. At all events, if we are to make the most of our experience and bring to bear in this new field the factors which have promoted technological advance in other fields, we must either find devices of this kind or better devices to accomplish the purpose. As of today, we have only made a small beginning.

In what I have said this evening I have tried to talk about the prospects for nuclear power as seen through the eyes of a utility executive. That is to say, one who is concerned with the question because of his responsibility for plans of the system with which he is connected and because of his interest in improvements in the engineering art with which he has been identified for all of his mature years. Others with different points of vantage would perhaps describe the picture in different terms. I should expect, however, that all would agree that the program we pursue for the development of nuclear power needs to be balanced and must be integrated with the program for meeting our overall energy requirements. This is not to propose that we should pay less attention to atomic energy but only that we shall make a great mistake if we become so absorbed in it that we overlook thinks that can be done to improve our shorter term needs for low cost energy. I should expect too that we would agree that our efforts are most likely to succeed to the extent that we are able to conduct the work under conditions as nearly as possible like those under which our technology in other industrial fields has prospered.

Crowell, Weedon Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Elmer C. Ernst has been added to the staff of Crowell, Weedon & Co., 650 South Spring Street, members of the Los Angeles Stock Exchange.

Ferris to Admit

WASHINGTON, D. C.—George M. Ferris, Jr., will become a partner in Ferris & Co., Washington Building, members of the New York and Washington Stock Exchanges, on Oct. 30.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

If you sat through last week's spill your heart must have been in your mouth, wondering if this was the beginning of the end, and if it were time to get out; or if it was too late already.

* * *

Yet, such reactions, as disquieting as they are to sit through, are part of a market pattern that must be understood if one is to keep one's equanimity. For the past few weeks the tone of this column was of mild bullishness, though at the same time it cautioned against charging in on an emotional basis. It pointed out the dangers of a reaction always being present and suggested that if any new buying is done it await a market break.

* * *

Well, you saw the break and the chances are that instead of considering any new buying you hastily went through your list to see what to get out of before it was too late. Such behavior isn't unusual; it's quite normal. Everybody likes to follow the crowd whether it's in buying tickets for a hit show or in the stock market. Yet it is the one who has the courage to leave the crowd who does the best in the market.

* * *

For the past few weeks there's been a little original buying without some compensatory selling, the result being a sloppy, desultory market. Even the investment trusts didn't do any buying without liquidating something else at the same time. So what you saw was a decline in one stock or a group with accompanying declines in other stocks or groups.

* * *

Last week you saw what was perhaps the most severe break you've witnessed in many months. At the same time you must have read about the "coming business depression" which I think was as widely advertised as the speeches of the two Presidential candidates. As weakness developed in a stock, it brought in liquidation. This in turn attracted new liquidation and so it went. The coming "depression" was the active reason and the declining market was the motivating one.

* * *

Now what can be expected from here on? Well, assuming that we are in the first throes of a bear market, a strong rally is quite likely. In fact the rally can be strong enough to make many a bear run to cover; it may even convert bears into bulls. I think, for example, that the oils, the more volatile ones, will jump up again. Such stocks like Richfield, Continental, Cities Service and Houston, will, in my opinion, be in the forefront. What can happen subsequently is another matter. Offhand I would suggest that the next rally — and I think there'll be one—be used for liquidating. It might even be good trading technique to buy now in anticipation of a rally.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Canadian Securities

By WILLIAM J. McKAY

On the whole, Canadian agricultural results this year are at a record level. This poses problems, which are of a serious nature, despite the favorable aspect large exports of grain and other food crops give to the Canadian balance of payments situation—problems involving both storage space and sale of the surplus produce. According to reports from Ottawa, Canada faces prospects of a big pile-up of unsold wheat at the end of the current crop year. The wheat available for export and carryover this year is estimated at about 728 million bushels, more than the United States ever had for foreign disposal in its long history of surplus wheat crops. The Canadian Bureau of Statistics has announced that unless exports exceed by a wide margin the previous record of 407,600,000 bushels set in 1928-29, some increase over current carryover stocks can be expected at the end of the 1952-53 crop year.

Canada last year exported about 357,000,000 bushels of wheat and undoubtedly can sell that much again, or even more, provided there is no shipping bottleneck. Every effort is being made by the Canadian Government to boost sales.

Canada's normal domestic wheat requirements are estimated at 160,000,000 bushels for this year, leaving 728,100,000 for export and carryover. If Canada exports as much wheat this year as she did a year ago, the carryover may run to about 370,000,000 bushels, largest in recent years.

World wheat production for 1952, according to the Canadian Bureau of Statistics, will be at 7,150,000,000 bushels, well up from 6,480,000,000 last year and the 1935-39 average of 6,020,000,000.

"A near-record harvest is reported for Western Europe," said the Bureau, "reducing import requirements for this traditionally deficit area at the same time that the exporting countries of North America are harvesting record or near-record crops.

"Though a record crop is reported for Asia, substantial imports will again be needed, especially in India, where the wheat crop was reported below average and a current scarcity of rice adds to the food problem."

Wheat crops are also heavy in the United States. For both countries, totals this year are estimated at near two billion bushels. In the Canadian Far West, the grain returns this year will exceed those from oil.

Fear has been expressed, however, in Canadian quarters that all this wheat is much too much; that there is going to be trouble disposing of it, that storage facilities will not be enough and that it was made worse by the steel strike, as this caused the steel industry to get hold of all the boats to bring down iron ore enough to keep plants going through the winter.

However, in the long run, Canadian grain traders say the crop will all be marketed, since Britain can absorb the surplus. But Britain can only buy from Canada or the U. S., if these countries buy British goods in large enough quantities. Indeed, Britain has already contracted with Russia for wheat, payable in sterling. As already stated, European demand for grain is not expected to be as great as last year because the 1952 grain crops there have been better. The same is true of the Southern Hemisphere.

Canadian wheat farmers are finding that as a result of the premium on the Canadian dollar their sales receipts on their bumper crops are lower than they had anticipated.

Under the international wheat agreement good quality wheat is sold at $1.80 per bushel, United States, f.o.b. Fort William. This, at current Canadian exchange rates, represents about $1.71 per bushel, Canadian funds, and the Western Canadian farmer finds this unpalatable. As they see it, the Western crop of 650 million bushels, is worth about $50 million less than it would have brought had the Canadian dollar been at par.

The realization has come to many Canadians who accepted the premium as an unqualified blessing that the exchange rate of Canadian currency has little influence on world prices since the United States dollar still holds command in setting the price. The result is that when the value of the United States dollar falls in terms of Canadian currency the Canadian exporter gets that much less.

Miss. Valley IBA Group Hospitality Room

ST. LOUIS, Mo. — The Mississippi Valley Group of the Investment Bankers Assn. of America, St. Louis members, of which Edward D. Jones, Edward D. Jones & Co., is Chairman, will as usual, as they have for the past 33 years, maintain a hospitality room on the special I. B. A. train leaving Chicago and St. Louis for Hollywood, Florida. The Mississippi Valley Group will also maintain Suite 446 in the Hollywood Hotel, Hollywood, Florida, from November 30 to December 5, from 10:30 p. m. on every night. Genial hosts will be as usual, Messrs. Kelton White and Harry Thies.

Frankenbush Partner

Lisette Brennan will become a partner in Frankenbush & Co., 52 Wall Street, New York City, members of the New York Stock Exchange, on Nov. 1. Paul Saxl will retire from the firm on Oct. 31.

Jerome Melniker

Jerome Melniker, senior partner of Jerome Melniker & Co., New York City, and a member of the New York Stock Exchange, ended his life Oct. 15. Mr. Melniker had been in poor health for some time.

Leeds Johnson

Leeds Johnson, partner in Johnson & Southwood, passed away Oct. 13.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

★ Air Springs, Inc., N. Y.
Oct. 16 (letter of notification) 6,000 shares of common stock (par 10 cents). **Price**—$5 per share. **Proceeds**—For developmental expenses and working capital. **Underwriter**—d'Avigdor Co., New York.

★ Aldens, Inc., Chicago, Ill.
Oct. 9 (letter of notification) $80,000 estimated amount of contributions by employees to Aldens Employees Profit-Sharing Fund. **Office** — 511 South Paulina St., Chicago 71, Ill. **Underwriter**—None.

• Allpark Finance Co., Inc. (10/29)
Aug. 28 filed $500,000 of 6% sinking fund convertible debentures due June 30, 1962. **Price**—At par. **Proceeds**—For working capital. **Office** — Houston, Tex. **Underwriter**—C. K. Pistell & Co., Inc., New York. The proposed offering of preferred and common stocks have been withdrawn from registration.

★ American Pacific Oil Co., Salt Lake City, Utah
Oct. 14 (letter of notification) 240,000 shares of common stock. **Price**—$1.25 per share. **Proceeds**—For equipment and working capital. **Office**—324 South Main St., Salt Lake City, Utah. **Underwriter**—None.

American President Lines, Ltd. (Calif.) (10/28)
Sept. 4 filed 100,145 shares of class A stock (no par) and 2,100,000 shares of class B stock (par $1). **Proceeds**—One half to go to the Treasurer of the United States and the other half to the Dollar interests. **Underwriters**—To be determined by competitive bidding. **Bids**—To be received by The Riggs National Bank of Washington, D. C., as trustee under a "Settlement Agreement" between the United States of America and the Dollar interests, up to 11 a.m. (EST) on Oct. 28. If no bid is received which at least equals the minimum price of $14,000,000, the trustee will surrender and deliver the certificates for such division equally between the parties and cause new certificates for such shares of stock to be issued. Probable bidders will include: Blair Holdings Corp.; and R. Stanley Dollar.

★ Andrews Building Products, Inc., Santa Rosa, Calif.
Oct. 7 (letter of notification) 4,500 shares of common stock. **Price**—$10 per share. **Proceeds**—For expansion. **Underwriter**—None.

• Anheuser-Busch, Inc., St. Louis, Mo. (10/29)
Oct. 10 filed 356,717 shares of common stock (par $4). **Price**—To be supplied by amendment. **Proceeds**—To certain selling stockholders. **Business** — Manufacture and sale of beer. **Underwriters**—Stifel, Nicolaus & Co., Inc., Reinholdt & Gardner and Newhard, Cook & Co., all of St. Louis, Mo.

★ B. B. S., Inc., Philadelphia, Pa.
Oct. 17 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To build record manufacturing plant, and for working capital. **Underwriter**—Marvin & Co., Philadelphia, Pa.

★ Beaver Dam Petroleum Corp. (Pa.)
Oct. 14 (letter of notification) 3,000 shares of capital stock. **Price**—At par ($10 per share). **Proceeds**—To drill a well and for working capital. **Address** — c/o Young, Kaplan & Edelstein, New York. **Underwriter**—None.

★ Belco, Inc., Cleveland, O.
Oct. 10 (letter of notification) $299,000 of 20-year sinking fund debentures. **Price**—At par (in denominations of $1,000 each). **Proceeds**—To acquire capital stock of the Coleman & Bell Co. **Underwriters**—Mohawk Valley Investing Co., Inc., Utica, N. Y., and Security & Bond Co., Lexington, Ky.

• Benson & Hedges, N. Y.
Oct. 2 filed 39,738 shares of common stock (par $4) being offered for subscription by common stockholders of record Oct. 20 at rate of one new share for each 10 shares held, rights to expire on Nov. 3. **Price**—$23.50 per share. **Proceeds**—To step up production of Parliament cigarettes. **Underwriter**—None. Tobacco & Allied Stocks, Inc. (owner of approximately 55% of the present outstanding common stock) will purchase any unsubscribed shares.

Bristol Oils Ltd., Toronto, Canada
Sept. 25 filed 1,000,000 shares of common stock (par $1). **Price**—Approximately 64.48 cents per share. **Proceeds**—To acquire leases and for corporate purposes. **Underwriter**—None. To be named by amendment.

★ Carver Oil & Gas Co., Inc.
Oct. 3 (letter of notification) 2,393,600 shares of common stock (par one cent). **Price**—12½ cents per share. **Proceeds** — For acquisition of properties and working capital. **Underwriter**—West & Co., Jersey City, N. J.

NEW ISSUE CALENDAR

October 23, 1952
Equitable Gas Co. — Debentures
(Bids to be invited)

October 24, 1952
Gulf Sulphur Corp. — Common
(Peter Morgan & Co.)

October 27, 1952
Corning Glass Works — Common
(Harriman Ripley & Co., Inc. and Lazard Freres & Co.)
Pennsylvania Citrus Groves, Inc. — Common
(Graham & Co.)
Redwater Utilities Holdings Oil & Gas Ltd. — Com.
(White, Weld & Co. and George R. Gardiner, Ltd.)
Smith-Douglass Co., Inc. — Common
(F. Eberstadt & Co., Inc.)

October 28, 1952
American President Lines, Ltd. — Class A & B
(Bids 11 a.m. EST)
Jefferson Electric Co. — Common
(Paul H. Davis & Co.)

October 29, 1952
Allpark Finance Co., Inc. — Debentures
(C. K. Pistell & Co., Inc.)
Anheuser-Busch, Inc. — Common
(Stifel, Nicolaus & Co., Inc.; Reinholdt & Gardner and Newhard, Cook & Co.)

October 30, 1952
Garrett Freightlines, Inc. — Debentures
(Allen & Co.)
Whiting Corp. — Preferred
(William R. Staats & Co. and Shearson, Hammill & Co.)

November 1, 1952
Crown Drug Co. — Debentures
(Offering to stockholders)

November 3, 1952
Dow Chemical Co. — Common
(Offering to stockholders—No underwriting)

November 5, 1952
Frontier Refining Co. — Debentures
(Peters, Writer & Christensen, Inc.; Sidlo, Simons, Roberts & Co.; Boettcher & Co.; and Bosworth, Sullivan & Co., Inc.)
Seiberling Rubber Co. — Debentures
(Blair, Rollins & Co. Inc.)

November 6, 1952
Hibernia National Bank — Common
(Scharff & Jones, Inc. and White, Hattier & Sanford)

November 12, 1952
American Trust Co., San Francisco — Common
(Offering to stockholders—Blyth & Co., Inc.)

November 15, 1952
Detroit & Toledo Shore Line RR. — Bonds
(Bids to be invited)

November 17, 1952
Long Island Lighting Co. — Bonds
(Bids to be invited)
United Gas Corp. — Common
(Offer to Electric Bond & Share Co. stockholders)

November 18, 1952
Pacific Telephone & Telegraph Co. — Debentures
(Bids 8:30 a.m. PST)

November 19, 1952
Duquesne Light Co. — Common
(Bids 11 a.m. EST)

November 24, 1952
Cleveland Electric Illuminating Co. — Common
(Offering to stockholders—no underwriting)
Gulf States Utilities Co. — Bonds
(Bids noon EST)

December 9, 1952
New England Telephone & Telegraph Co. — Debs.
(Bids to be invited)

December 15, 1952
New Orleans Public Service Inc. — Bonds
(Bids to be invited)

★ Chemi-Cote Perlite Corp., Phoenix, Ariz.
Oct. 9 (letter of notification) 138,135 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To complete plant requirements. **Address** — P. O. Box 5187, Phoenix, Ariz. **Underwriter**—None.

Cincinnati Enquirer, Inc.
July 25 filed $2,500,000 of 10-year convertible junior debentures due Aug. 1, 1962. **Price**—To be supplied by amendment. **Proceeds**—To pay notes issued to the Portsmouth Steel Corp. **Underwriter**—Halsey, Stuart & Co. Inc., Chicago and New York. **Offering** — Temporarily postponed.

★ Cleveland Electric Illuminating Co. (11/24)
Oct. 22 filed 557,895 shares of common stock (no par) to be offered for subscription by common stockholders of record Nov. 24 at the rate of one new share for each five shares held; rights to expire on or about Dec. 19. **Price**—To be supplied by amendment. **Proceeds**—For property additions. **Underwriter**—None.

★ Colorado CO^2 Corp., Colorado Springs, Colo.
Oct. 14 (letter of notification) 250 participating production certificates of $1,000 each and 50,000 shares no par common stock (latter to be issued to induce sale of certificates and for miscellaneous services performed for the corporation). **Price**—Of debentures, at par. **Proceeds**—To erect plant. **Office**—207 Independence Bldg., Colorado Springs, Colo. **Underwriter**—None.

Consumers Cooperative Association, Kansas City, Missouri
Sept. 24 filed $3,000,000 of 10-year 4½% subordinated certificates of indebtedness, $6,000,000 of 20-year 5½% subordinated certificates of indebtedness; and $1,000,000 of 25-year 5½% subordinated certificates of indebtedness; to be offered for sale to members and others. **Price**—At face amount. **Proceeds**—To build plant. **Business**—Wholesale purchasing association. **Underwriter**—None.

• Corning Glass Works, Pittsburgh, Pa. (10/27)
Oct. 3 filed 104,104 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriters** — Harriman Ripley & Co., Inc. and Lazard Freres & Co., both of New York.

Cowles Co., Cayuga, N. Y.
Oct. 6 (letter of notification) 3,000 shares of capital stock (par $5) to be offered for subscription by stockholders of record Oct. 1 at rate of one share for each three held; rights expire Oct. 31. **Price**—$25 per share. **Proceeds**—For working capital. **Underwriter**—None, unless 1,000 shares are unsubscribed which will be sold to one individual through Clemens E. Gunn of Gunn, Carey & Co., Cleveland, Ohio.

Crown Drug Co., Kansas City, Mo. (11/1)
Sept. 18 (letter of notification) $250,000 of 4½% convertible debenture notes due Oct. 1, 1962 to be offered on Nov. 1 for prior subscription by stockholders. **Price**—at par (in denominations of $60, $100, $500 and $1,000 each). **Proceeds**—For working capital. **Office**—2210 Central St., Kansas City, Mo. **Underwriter**—Business Statistics Organizations, Inc., Babson Park, Mass.

Deerpark Packing Co., Port Jervis, N. Y.
March 21 (letter of notification) 235,000 shares of common stock (par 10 cents). **Price**—$1.25 per share **Proceeds**—To repay RFC loan of $41,050 and for working capital. **Offering**—Expected before Oct. 15.

Devil Peak Uranium, Ltd. (Nev.)
April 7 (letter of notification) 600,000 shares of common stock (par one cent). **Price**—50 cents per share **Proceeds** — For rehabilitation and development program. **Office** — Suite 839, 60 East 42nd St., New York 17, N. Y. **Underwriter**—Gardner & Co., New York.

★ Dickson (R. S.) & Co., Inc., Charlotte, N. C.
Oct. 15 (letter of notification) 250 shares of 5% cumulative preferred stock (par $100), 7,000 shares of common voting stock (par $10) and 2,000 shares of class B common stock (par $10). **Price**—At market (about par for preferred stock and $25 per share for the common voting and class B common stocks). **Proceeds**—For working capital. **Office**—701 Wilder Bldg., Charlotte 1, N. C. **Underwriter**—None.

★ Diversified Funds, Inc.
Oct. 22 filed an amendment covering a number of shares as yet undetermined of Diversified Growth Stock Fund, a newly created series of its special stock. **Proceeds**—For investment. **Underwriter** — Kidder, Peabody & Co., New York.

Dole (James) Engineering Co.
Sept. 19 (letter of notification) 100,000 shares of convertible 5% preferred stock to be offered for subscription by stockholders of record Oct. 6 at rate of one share for each 10 common shares held; rights to expire on Oct. 31. **Price**—At par ($2 per share). **Proceeds**—For general corporate purposes. **Office**—58 Sutter St., San Francisco 4, Calif. **Underwriter**—None.

★ Dole (James) Engineering Co., San Francisco, Calif.
Oct. 16 (letter of notification) 60,000 shares of 5% convertible preferred stock (par $2). of which 30,000 shares are to be issued by James D. Dole as "gifts to children" at 25 cents per share, and 30,000 shares are to be offered by Alexis E. Post for cash. **Underwriters**—J. Barth & Co. and The Broy Co., both of San Francisco, Calif.

Dow Chemical Co., Midland, Mich. (11/3)
Sept 23 filed 625,000 shares of common stock (par $5) to be offered as follows: About 420,000 shares for subscription by common stockholders of record Oct. 21, 1952 at rate of one new share for each 50 shares held, and about 205,000 shares for subscription by employees of the company and its subsidiaries and affiliated companies. The offering will open Nov. 3 and close on Nov. 26. **Price**—$31 per share. **Proceeds**—For general corporate purposes. **Underwriter**—None.

Duquesne Light Co., Pittsburgh, Pa. (11/19)
Sept. 30 filed 250,000 shares of common stock (par $10), of which 80,000 shares will be offered by company and 170,000 shares by the Philadelphia Co. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: The First Boston

Corp.; Lehman Brothers; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); Blyth & Co., Inc.; Carl M. Loeb, Rhoades & Co. and Wertheim & Co. (jointly); Stone & Webster Securities Corp. **Bids**—Expected to be received up to 11 a.m. (EST) Nov. 19.

★ Elyria Telephone Co., Elyria, Ohio
Oct. 17 (letter of notification) 2,122 shares of common stock (no par) and 5,600 shares of 5% preferred stock (par $50). **Price**—Common stock at $7.476 per share, and preferred stock at par. **Proceeds**—For new construction, etc. **Office**—330 Second St., Elyria, Ohio. **Underwriter**—None.

★ Family Weekly Magazine, Inc., N. Y.
Oct. 13 (letter of notification) 40,000 shares of class A common stock (no par—stated value $1) and $260,000 of 5% debentures due serially in five equal annual installments to be offered in units of $130 in debentures and 20 shares of stock. **Price**—$150 per unit (subscription limited to a minumum of $750 to newspaper publishers only). **Proceeds** — For working capital. **Office** — c/o William H. Marriott, 36 East 36 Street, New York, N. Y. **Underwriter**—None.

★ Farm Equipment Acceptance Corp., Peoria, Ill.
Oct. 10 (letter of notification) 2,000 shares of common stock (par $50). **Price** — $60 per share. **Proceeds** — For working capital. **Office**—3500 North Adams St., Peoria, Ill. **Underwriter**—Paul H. Davis & Co., Chicago, Ill.

Farm & Home Loan & Discount Co., Phoenix, Ariz.
July 7 filed 1,613,168 shares of class A common stock (par 25 cents) and 2,744,034 shares of class B common stock (par 35 cents), the class A stock to be sold only to policyholders of The Farm & Home Insurance Co. **Price** —At par. **Proceeds**—To increase capital. **Underwriters**—John J. Rhodes and James E. McNelis, officers and directors of the two companies.

Farmers Underwriters Association, Los Angeles, California
Sept. 25 (letter of notification) 2,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To John C. Tyler, the selling stockholder. **Office**—4680 Wilshire Boulevard, Los Angeles, Calif. **Underwriter**—Lester, Ryons & Co., Los Angeles, Calif.

★ Financial Security Life Insurance Co., Ltd., Honolulu, Hawaii
Oct. 8 (letter of notification) 40,000 shares of common stock. **Price**—$7.50 per share. **Proceeds**—For expansion of business. **Underwriter**—Robert Brilliande, dba Hawaii Underwriting Co., Honolulu, Hawaii.

★ Fischer & Porter Co., Hatboro, Pa.
Oct. 17 (letter of notification) 10,500 shares of class A preference stock (no par). **Price**—$10.75 per share. **Proceeds** — For working capital. **Underwriter** — Hallowell, Sulzberger & Co., Philadelphia, Pa.

Floseal Corp., Seattle, Wash.
Sept. 12 (letter of notification) 24,950 shares of capital stock (par $1). **Price** — $12 per share. **Proceeds** — For general corporate purposes. **Address**—c/o The Corporation Trust Co., 1004 Second Ave., Seattle 4, Wash. **Underwriter**—None.

Food Fair Stores, Inc., Philadelphia, Pa.
Sept. 9 filed 100,000 shares of common stock (par $1) to be offered to certain employees pursuant to the terms of stock purchase plan. **Price**—$3 below the average market price for the month in which payment is completed. **Proceeds**—For general funds. **Underwriter**—None.

● Forming Machine Co. of America, Inc.
Oct. 3 (letter of notification) 175 shares of common stock (par $1) being offered for subscription by stockholders of record Sept. 23 at rate of one new share for each 15 shares held; rights expire Nov. 10. **Price**—$200 per share. **Proceeds**—For working capital. **Office**—18 Hamilton St., Bound Brook, N. J. **Underwriter**—None.

Front Range Mines, Inc., Denver, Colo.
Sept. 8 (letter of notification) 125,000 shares of common stock (par $1). **Price**—At market (approximately 37½ cents per share). **Proceeds**—To Irene F. Marple, a director. **Underwriter**—Stanley Pelz & Co., Inc., New York.

★ Frontier Refining Co., Denver, Colo. (11/5)
Oct. 16 filed $1,000,000 5¾% convertible debentures due 1962. **Price**—At par (in units of $1,000 each). **Proceeds** —For equipment and working capital. **Underwriters**—Peters, Writer & Christensen, Inc.; Sidlo, Simons, Roberts & Co.; Boettcher & Co.; and Bosworth, Sullivan & Co., Inc.; all of Denver, Colo.

★ General Investment Corp., Salt Lake City, Utah
Oct. 17 (letter of notification) 100,000 shares of capital stock. **Price**—$1 per share. **Proceeds**—For general corporate purposes. **Office**—28 West Second South St., Suite 315, Salt Lake City, Utah. **Underwriter**—None.

General Laboratory Associates, Inc. (N. Y.)
Sept. 30 (letter of notification) 7,435 shares of common stock. **Price**—At par ($20 per share) to be offered for subscription by common stockholders of record Oct. 15 at rate of one share for each two shares held; rights to expire Oct. 30. **Proceeds**—For expansion of facilities and to reduce bank loans. **Office**—17 East Railroad Street, Norwich, N. Y. **Underwriter**—None.

★ General Tire & Rubber Co., Akron, O.
Oct. 14 (letter of notification) 6,861 shares of common stock (par $5) to be offered in exchange for common shares of Crosley Motors, Inc., on basis of one General Tire share for each 27 Crosley shares tendered, with cash at rate of $1.25 per share for all shares which are not multiples of 27. **Underwriter**—None.

★ Greater Mountain Chemical Co., Inc.
Oct. 15 (letter of notification) 750,000 shares of common stock (par 25 cents). **Price**—40 cents per share. **Proceeds** —For working capital. **Office**—702 Walker Bank Bldg., Salt Lake City, Utah. **Underwriter**—None.

Guardian Chemical Corp., Long Island City, N. Y.
Oct. 7 (letter of notification) 299,900 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For expansion and working capital and to retire preferred stock. **Underwriter**—Batkin & Co., New York.

Gulf Sulphur Corp. (10/24)
Sept. 8 filed 225,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To pay costs of drilling 25 test wells and for other corporate purposes. **Underwriter**—Peter Morgan & Co., New York.

Hawaiian Electric Co., Ltd., Honolulu, T. H.
Sept. 25 filed 50,000 shares of common stock to be offered for subscription by common stockholders of record Oct. 3 in the ratio of one new share for each 10 shares held. **Price** — At par ($20 per share). **Proceeds** — To repay short-term notes and for new construction. **Underwriter** —None.

★ Heliogen Products, Inc.
Oct. 16 (letter of notification) 500 shares of common stock (par $10). **Price** — $50 per share. **Proceeds** — For working capital. **Office**—35-10 Astoria Boulevard, Long Island City 3, N. Y. **Underwriter**—None.

Hilseweck Minerals Corp., Dallas and Oklahoma City
Sept. 18 filed $1,500,000 of 20-year non-negotiable debentures due Aug. 1, 1972 and 139,920 shares of common stock (par $1). **Price**—$960 per $1,000 debenture, plus common stock subscription warrants for the purchase of 50 shares of common stock. **Proceeds** — For general corporate purposes. **Business**—To engage in oil and gas business. **Underwriter**—None.

★ Household Finance Corp.
Oct. 17 filed 60,000 shares of common stock (no par—stated value $12 per share) to be offered for subscription by certain employees and executives. **Price**—$28.50 per share. **Proceeds**—For working capital. **Underwriter**—None.

★ Household Service, Inc., Clinton, N. Y.
Oct. 10 (letter of notification) 2,000 shares of preferred stock (par $25) and 250 shares of common stock (par $10) in units of eight shares of preferred stock and one share of common stock. **Price**—$200 per unit. **Proceeds**—To pay short-term debt, for new plant and working capital. **Underwriter** — Mohawk Valley Investing Co., Inc., Utica, N. Y.

Idaho Maryland Mines Corp.
June 6 filed 200,000 shares of common stock (par $1). **Price**—At market (on the San Francisco Stock Exchange). **Proceeds**—To selling stockholder (Gwendolyn MacBoyle Betchtold, as executrix of the last will and testament of Errol Bechtold, deceased). **Office**—San Francisco, Calif. **Underwriter**—None.

★ Industries Funding Corp., N. Y.
Oct. 20 (letter of notification) 10,000 shares of participating preference stock (par $25) and 10,000 shares of common stock (par $1). **Price**—At par. **Proceeds**—For industrial financing. **Office**—119 West 57th St., New York. **Underwriter**—None.

International Glass Corp., Beverly Hills, Calif.
Sept. 22 (letter of notification) 299,635 shares of common stock, to be issued as follows: To William Hoeppner, 6,985 shares; to stockholders of Soft-Flex Glass Fabrics Corp., 17,650 shares; and to public, 275,000 shares. **Price**—At par ($1 per share). **Proceeds**—For general corporate purposes. **Office**—119 South Beverly Drive, Beverly Hills, Calif. **Underwriter**—Douglass & Co., Beverly Hills, Calif.

International Technical Aero Services, Inc.
Feb. 15 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—International Terminal, Washington National Airport, Washington, D. C. **Underwriter** —James T. DeWitt & Co., Washington, D. C.

Israel Industrial & Mineral Development Corp., N. Y.
Oct. 6 filed 30,000 shares of class A stock. **Price**—At par ($100 per share). **Proceeds**—For industrial and mineral development of Israel. **Underwriter** — Israel Securities Corp., New York.

● Jefferson Electric Co., Bellwood, Ill. (10/28)
Oct. 3 filed 100,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To reimburse treasury for cost of additions and improvements to plant. **Underwriter**—Paul H. Davis & Co., Chicago, Ill.

● Long Island Lighting Co. (11/17)
Oct. 15 filed $20,000,000 of first mortgage bonds, series E, due 1980. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co.; Smith, Barney & Co.; Blyth & Co., Inc., and The First Boston Corp. (jointly). **Bids**—Tentatively scheduled to be received at noon (EST) on Nov. 17.

★ Mayer (Oscar) & Co., Inc., Chicago, Ill.
Oct. 10 (letter of notification) 20,000 shares of common stock (par $10) to be offered for subscription by certain employees and officers of the company and its subsidiaries. **Price**—$15 per share. **Proceeds**—For working capital. **Office**—1241 N. Sedgwick St., Chicago, Ill. **Underwriter**—None.

McCarthy (Glenn), Inc.
June 12 filed 10,000,000 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds** — For drilling of exploratory wells, acquisition of leases and for general corporate purposes. **Underwriter**—B. V. Christie & Co., Houston, Tex. **Dealer Relations Representative**—George A. Searight, 50 Broadway, New York, N. Y. Telephone WHitehall 3-2181. **Offering**—Date indefinite.

McGraw (F. H.) Co., Hartford, Conn.
Sept. 10 (letter of notification) 5,000 shares of common stock (par $2) and warrants to purchase 20,000 shares of common stock at $6 per share to be offered in units of one share and warrants to purchase four additional shares. **Price**—$19.87½ per share. **Proceeds**—To Clifford S. Strike, the selling stockholder. **Underwriter**—Granbery, Marache & Co., New York.
Oct. 6 (letter of notification) 25,000 shares of common stock (par $2). **Price**—$7 per share. **Proceeds**—To Clifford S. Strike, the selling stockholder. **Underwriter**—Granbery, Marache & Co., New York.

★ Mid American Oil & Gas Co., Chicago, Ill.
Oct. 10 (letter of notification) 80,000 shares of common stock (par 10 cents). **Price**—At market (at an aggregate amount not to exceed $24,000). **Proceeds**—For development of oil and gas leases. **Underwriter** — Greenfield & Co., Inc., New York.

Midcontinent Chemical Co., Grove City, Ohio
Sept. 26 (letter of notification) $50,000 of 5½% secured debentures due March 15, 1963. **Price**—At par (in denominations of $1,000 and $500). **Proceeds**—For working capital. **Underwriter**—The Ohio Company, Columbus, Ohio.

Mineral Exploration Corp., Ltd., Toronto Canada
July 29 filed 2,000,000 shares of common stock, each share to have attached an "A," "B" and "C" warrant, each giving the holder the right to buy one additional share for each two shares purchased in two, three, or five years, at $1, $2 and $3 per share, respectively. **Price** —For 2,000,000 shares, $1 per share—Canadian. **Proceeds**—For exploration, development and acquisition of properties. **Underwriter**—Brewis & White, Ltd., Toronto, Canada. Names of United States underwriters to be supplied by amendment.

Mississippi Chemical Corp., Yazoo City, Miss.
Sept. 29 filed 2,000,000 shares of common stock (par $5), of which 849,038 shares have been subscribed, paid for and issued, and an additional 107,550 shares have been subscribed for as of Aug. 28 and will be issued in connection with expansion of ammonia plant. The remaining shares will be offered for sale primarily to farmers and farm groups. **Price** — At par. **Proceeds** — For new construction. **Underwriter**—None.

Montana Basin Oil Corp. (N. Y.)
Sept. 19 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For exploration and development expenses. **Underwriter** —Aetna Securities Corp., New York.

Multiple Dome Oil Co., Salt Lake City, Utah
Sept. 8 (letter of notification) 150,000 shares of common stock. **Price**—At market (approximately 10 cents per share). **Proceeds**—To George W. Snyder, President. **Underwriter**—Greenfield & Co., Inc., New York.

★ Newton-Conroe Oil Corp., Conroe, Tex.
Oct. 9 (letter of notification) 1,000,000 shares of common stock (par one cent). **Price**—30 cents per share. **Proceeds** —To purchase wells and for equipment. **Underwriter**—Morris Cohon & Co., New York.

★ North American Acceptance Corp., Bryn Mawr, Pa.
Oct. 15 (letter of notification) 40,000 shares of class A stock (par $1). **Price** — $2.50 per share. **Proceeds** — To Colby Corp., the selling stockholder. **Underwriter**—H. G. Kuch & Co., Philadelphia, Pa.

★ Olympic Radio & Television, Inc.
Oct. 14 (letter of notification) 35,919 shares of common stock (par $1) being offered for subscription by common stockholders of record Oct. 20 at rate of one new share for each 11 shares held (with an oversubscription privilege); rights to expire on Oct. 30. **Price**—$8.35 per share. **Proceeds**—For working capital. **Office**—34-01 38th Ave., Long Island City 1, N. Y. **Underwriter**—None. Fox, Wells & Co., owner of approximately 24% of outstanding stock, will purchase any unsubscribed stock.

Pacific Western Oil Corp.
Aug. 5 filed 100,000 shares of common stock (par $4). **Price**—At the market. **Proceeds**—To J. Paul Getty, President. **Underwriter** — None, sales to be handled by brokers on the New York Stock Exchange.

Paradise Valley Oil Co., Reno, Nev.
Aug. 20 filed 3,000,000 shares of capital stock. **Price**—At par (10 cents per share). **Proceeds**—To drill six wells on subleased land and for other corporate purposes. **Underwriter**—None, with sales to be made on a commission basis (selling commission is two cents per share). **Office**—c/o Nevada Agency & Trust Co., Inc., Cheney Bldg., 139 N. Virginia St., Reno, Nev.

Penn-Allen Broadcasting Co.
Sept. 30 (letter of notification) 18,580 shares of class A common stock (par $10) and 7,432 shares of common stock (par $10) to be offered in units of five class A shares and two common shares. **Price**—$70 per unit. **Proceeds**—To construct a television station and for working capital. **Office**—Masonic Temple Bldg., Allentown, Pa. **Underwriter**—None.

● Pennsylvania Citrus Groves, Inc. (10/27)
Oct. 8 (letter of notification) 100,000 shares of common stock (par $2). **Price**—$2.50 per share. **Proceeds**—To plant, fertilize and insure citrus fruit trees. **Underwriter**—Graham & Co., Pittsburgh, Pa.

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Perfect Circle Corp., Hagerstown, Ind.
Sept. 17 (letter of notification) 1,000 shares of capital stock (par $2.50). **Price**—At the market (approximately $14 per share). **Proceeds**—To Herman Teetor, the selling stockholder. **Underwriter** — A. G. Becker & Co. Inc., Chicago, Ill.

Phoenix Budget Loans, Inc., Minneapolis, Minn.
Sept. 22 (letter of notification) 4,000 shares of preferred stock, series A (no par). **Price**—$24 per share. **Proceeds**—For working capital. **Office**—227 Twin City Federal Building, Minneapolis, Minn. **Underwriter**—M. H. Bishop & Co., Minneapolis, Minn.

Powers Manufacturing Co., Longview, Tex.
Sept. 25 filed 250,000 shares of common stock (par $1). **Price** — $2 per share. **Proceeds** — For machinery and equipment and new construction. **Business**—Production of heavy duty power transmission chain, prockets, gears, etc. **Underwriter**—Dallas Rupe & Son, Dallas, Texas.

Redwater Utilities Holdings Oil & Gas Ltd., Calgary, Canada (10/27)
Oct. 7 filed 1,200,000 shares of common stock (par 50 cents—Canadian). **Price**—To be supplied by amendment. **Proceeds**—To pay for litigation and for general corporate purposes. **Underwriters**—White, Weld & Co., New York; and George R. Gardiner Ltd., Toronto, Ont., Canada (for 600,000 shares each). Not to be offered publicly.

Reeves Soundcraft Corp., N. Y.
Oct. 3 (letter of notification) 10,245 shares of common stock (par five cents). **Price**—At market (about $2.62½ per share). **Proceeds**—To Bernard Goodwin, the selling stockholder. **Underwriter**—Gearhart & Otis, Inc., New York.

Resort Airlines, Inc., Miami, Fla.
Oct. 1 (letter of notification) 20,000 shares of common stock (par 10 cents). **Price**—45 cents per share. **Proceeds**—To Richard A. Miller, the selling stockholder. **Underwriter**—Eisele & King, Libaire, Stout & Co., New York.

★ **Reymert Extension Silver Mines Co.**
Oct. 14 (letter of notification) 50,000 shares capital stock. **Price**—At par (50 cents per share). **Proceeds**—To drill for copper. **Address**—c/o Neil B. McGinnis. P. O. Box 3617, Phoenix, Ariz. **Underwriter**—None.

Safeway Stores, Inc.
Sept. 12 filed 1,900 shares of 4% cumulative preferred stock (par $100) and 18,000 shares of common stock (par $5) to be issued to James A. Dick Investment Co. (formerly The James A. Dick Co.) in exchange for inventories, fixtures, operating supplies, good will and other assets of Dick. It is anticipated that the Dick Company will sell all or a substantial part of these shares from time to time on the New York Stock Exchange. **Underwriter**—None.

Schulte (D. A.), Inc., New York
Sept. 26 filed 717,149 shares of common stock (par $1), in two blocks, one in the amount of 349,500 shares and the other 367,649 shares, to be sold from time to time on the New York Curb Exchange. **Price**—At market (approximately $2 per share). **Proceeds**—To certain selling stockholders. **Business**—Cigarette and cigar store chain. **Underwriter**—None.

Seacrest Productions, Inc., Newport, R. I.
Sept. 8 (letter of notification) 5,000 shares of non-voting common stock, series B (no par). **Price**—$10 per share. **Proceeds**—To acquire real estate and buildings, convert sound stages, install recording equipment and cameras, and for other corporate purposes. **Office**—73 Bliss Road, Newport, R. I. **Underwriter** — Kidder, Peabody & Co., Providence, R. I.

★ **SeaPak Corp., St. Simons Island, Ga.**
Oct. 10 (letter of notification) 1,750 shares of common stock (par $1). **Price**—At market (approximately $6.75 to $7.75 per share). **Proceeds**—To John E. Haynes, the selling stockholder. **Underwriter**—None, but French & Crawford, Inc., Atlanta, Ga., will act as broker.

● **Seiberling Rubber Co. (11/5)**
Oct. 1 filed $3,750,000 convertible sinking fund debentures due Oct. 1, 1967. **Price**—To be supplied by amendment. **Proceeds**—To repay $1,200,000 loan and for working capital. **Underwriter**—Blair, Rollins & Co., Inc., New York.

★ **Sentry Safety Control Corp., Phila., Pa.**
Oct. 17 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Underwriter** — Louis L. Rogers Co., New York.

Sheller Manufacturing Corp., Portland, Ind.
Oct. 6 (letter of notification) 5,000 shares of common stock (par $1). **Price**—At market (approximately $15 per share). **Proceeds** — To Ralph P. Chempney, the selling stockholder. **Underwriter**—Straus, Blosser & McDowell, Chicago, Ill.

Signal Mines, Ltd., Toronto, Canada
July 14 filed 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For exploration, development, and mining expenses, and to reimburse Maurice Schack, Secretary-Treasurer. **Business**—Quartzite mining. **Underwriter** — Northeastern Securities Co., New York.

★ **Signode Steel Strapping Co., Chicago, Ill.**
Oct. 9 (letter of notification) 2,044 shares of common stock (par $1). **Price**—At market (about $17 per share). **Proceeds**—To John W. Leslie, trustee of Walter S. Underwood and Emily C. Underwood. **Underwriter**—Ames, Emerich & Co., Chicago, Ill.

★ **Silicate Reduction Corp., Denver, Colo.**
Oct. 10 (letter of notification) 22,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To purchase tungsten ore concentrates and for plant equipment. **Office**—1127 Washington St., Denver, Colo. **Underwriter**—None.

● **Smith-Douglass Co., Inc., Norfolk, Va. (10/27-31)**
Oct. 14 filed 370,000 shares of common stock (par $5), of which 100,000 shares are to be offered by the company and 270,000 shares by certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To install phosphoric acid facilities and other plant improvements. **Business**—Producer and distributor of fertilizer materials and mixed fertilizers. **Underwriter**—F. Eberstadt & Co., Inc., New York. **Offering**—Expected week of Oct. 27.

★ **Sonic Research Corp., Boston, Mass.**
Oct. 15 (letter of notification) 400 shares of common stock (no par). **Price** — $20 per share. **Proceeds** — For working capital. **Office**—15 Chardon St., Boston, Mass. **Underwriter**—None.

★ **Sonny Allegheny Mountain Oil & Gas Co.**
Oct. 10 (letter of notification) 10,195 shares of common stock. **Price** — At par ($5 per share). **Proceeds** — For drilling expenses. **Office**—1321 Lakefront, East Cleveland, O. **Underwriter**—None.

● **Southern New England Telephone Co.**
Sept. 22 filed 400,000 shares of capital stock being offered for subscription by stockholders of record Oct. 8 at rate of one share for each nine shares held; rights to expire Oct. 31. **Price**—At par ($25 per share). **Proceeds**—To repay $3,500,000 advances from American Telephone & Telegraph Co. (owner of 960,296 shares, or 26.67%, of the voting stock of Southern, and for property additions and improvements). **Office**—New Haven, Conn. **Underwriter**—None.

★ **Standard Cable Corp., Chickasha, Okla.**
Oct. 15 (letter of notification) 35,000 shares of common stock (par 25 cents). **Price**—$2.75 per share. **Proceeds**—To Llewellyn Lord, the selling stockholder. **Underwriter**—Aetna Securities Corp., New York.

★ **Stereo Sales Co., Inc., Seattle, Wash.**
Oct. 10 (letter of notification) 680 shares of class A common stock. **Price**—$100 per share. **Proceeds**—For new construction. **Office**—1017 East Pike St., Seattle, Wash. **Underwriter**—None.

★ **Stewart House Co., Los Angeles, Calif.**
Oct. 9 (letter of notification) 430 shares of preferred stock (par $100) and 13,000 shares of common stock (par 1), to be offered to 20 persons. **Price**—At par. **Proceeds**—For working capital. **Office**—4140 Eagle Rock Boulevard, Los Angeles 65, Calif. **Underwriter**—None.

★ **Stone (E. B.) Finance Co. of Albemarle, Inc.**
Oct. 9 (letter of notification) 1,000 shares of non-voting common stock (par $100) and 10 shares of voting common stock (par $100) which were "inadvertently sold by this corporation for $285 per share to a resident of South Carolina with letter of notification under Regulation A." **Proceeds**—To make loans. **Office**—910 South Tryon St., Charlotte, N. C. **Underwriter**—None.

★ **Stone (E. B.) Finance Co. of Laurinburg, Inc.**
Oct. 9 (letter of notification) 2,000 shares of class A non-voting common stock. **Price**—$25 per share. **Proceeds**—To make loans. **Office**—910 South Tryon St., Charlotte, N. C. **Underwriter**—None.

Streeter-Amet Co., Chicago, Ill.
Aug. 27 (letter of notification) 2,367 shares of common stock (par $50) to be offered for subscription by common stockholders at rate of one new share for each four shares held. **Price**—$100 per share. **Proceeds**—To increase equity capital to take care of increased business and increased costs. **Office**—4101 Ravenswood Avenue, Chicago 13, Ill. **Underwriter**—None.

Sunshine Packing Corp. of Pennsylvania
July 3 filed $1,000,000 of 6% convertible debentures due 1972 (subordinate) and 450,000 shares of common stock (par 50 cents) of which the debentures and 400,000 shares of stock are to be offered in units of $50 of debentures and 20 shares of stock. **Price**—$100 per unit. **Proceeds**—To increase capacity of plant and for working capital. **Underwriter**—Weber-Millican Co., New York.

Sweet Grass Oils, Ltd., Toronto, Canada
July 29 filed 375,000 shares of common stock (no par). **Price**—To be related to quotation on the Toronto Stock Exchange at time of offering. **Proceeds**—For working capital. **Underwriter**—F. W. MacDonald & Co., Inc., New York. **Offering**—Probably some time in October.

Texas General Production Co.
June 4 filed 2,500,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—To buy property for oil prospecting. **Office**—Houston, Tex. **Underwriter**—To be named by amendment. **Offering**—Tentatively postponed. Statement may be withdrawn.

Texo Oil Corp., Ardmore, Okla.
Sept. 2 (letter of notification) 934,400 shares of common stock (par one cent). **Price**—31¼ cents per share. **Proceeds**—To drill three wells to test formation on corporation's leases in Duval and Live Oak Counties, Texas. **Underwriter**—Stanley Pelz & Co., Inc., New York.

Thompson Trailer Corp., Pikesville, Md.
Aug. 27 (letter of notification) $116,150 of 5% convertible debentures, first issue, due Sept. 1, 1962. **Price**—At par (in units of $50 each). **Proceeds**—For working capital. **Address**—P. O. Box 356, Pikesville, Md. **Underwriter**—None.

Torhio Oil Corp., Ltd., Toronto, Canada
Aug. 21 filed 300,000 shares of common stock (par $1) to be offered first to stockholders and then to the general public. **Price** — 60 cents per share. **Proceeds**—For exploration of oil and gas properties, and to drill a test well. **Underwriter**—None, but offering to public will be handled through brokers.

★ **Transcontinental Oil Corp., Dallas, Tex.**
Oct. 14 (letter of notification) 60,000 shares of common stock (par 25 cents). **Price**—At market (approximately $1.37½ per share). **Proceeds**—To C. J. Simpson, the selling stockholder. **Underwriters**—Bonner & Bonner, Inc., New York; and Lynch, Allen & Co., Inc., Dallas, Tex.

★ **Tri-State Oil Wells, Inc., Oklahoma City, Okla.**
Oct. 14 (letter of notification) 4,000 shares of common stock (par $5) and 8,000 shares of preferred stock (par $5). **Price**—At par. **Proceeds**—To buy and sell oil and gases leases. **Office**—107 North Broadway, Oklahoma City, Okla. **Underwriter**—None.

★ **Tungolin Co., Inc., Gulfport, Miss.**
Oct. 16 (letter of notification) 302 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For machinery and working capital. **Office**—2906 25th Ave., Gulfport, Miss. **Underwriter**—None.

● **United Gas Corp., Shreveport, La. (11/17)**
Oct. 15 filed 525,036 shares of common stock (par $10) to be offered for subscription by Electric Bond & Share Co. to its stockholders on the basis of one share of United Gas stock for each 10 shares of Bond and Share stock held on or about Nov. 17; with rights to expire Dec. 3. **Price** — To be supplied by amendment. **Proceeds** — To Electric Bond & Share Co., which presently owns 3,165,781 shares (27.01%) of outstanding United Gas stock. **Underwriter**—None.

★ **United Wholesale Druggists of Portland, Inc.**
Oct. 8 (letter of notification) 634 shares of capital stock (no par). **Price**—$50 per share. **Proceeds**—To purchase merchandise for resale to retail druggists. **Office**—322 N. W. 14th Ave., Portland 9, Ore. **Underwriter**—None.

★ **Universal Gas & Oil Corp., N. Y.**
Oct. 17 (letter of notification) 295,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For liquidation of an indebtedness of $95,000 and for working capital. **Underwriter**—Frank M. Cryan & Co., New York.

★ **Uranium Mines, Inc., Las Vegas, Nev.**
Oct. 9 (letter of notification) 75,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses and equipment. **Office**—300 Fremont St., Las Vegas, Nev. **Underwriter**—None.

★ **Utana Basins Oil Co., Salt Lake City, Utah.**
Oct. 16 (letter of notification) 2,300,000 shares of common stock (par one cent), of which 300,000 shares will be reserved for option to underwriters. **Price**—5½ cents per share. **Proceeds**—To drill wells. **Office**—509 Atlas Bldg., Salt Lake City, Utah. **Underwriters** — W. D. Nebeker & Co. and A. P. Kibbe & Co., both of Salt Lake City.

Video Products Corp., Red Bank, N. J.
Oct. 3 (letter of notification) 75,000 shares of common stock (par 50 cents). **Price**—$2.50 per share. **Proceeds**—For working capital. **Office**—42 West Street, Red Bank, N. J. **Underwriter**—None.

★ **Vitro Manufacturing Co., Pittsburgh, Pa.**
Oct. 15 (letter of notification) 2,500 shares of common stock (par 50 cents). **Price**—At market (estimated at $11.50 per share). **Proceeds**—To Charles S. Payson, the selling stockholder. **Underwriter** — Blyth & Co., Inc., New York.

Waukesha Motor Co., Waukesha, Wis.
Oct. 6 (letter of notification) 5,800 shares of common stock (par $5). **Price** — At market (approximately $17 per share). **Proceeds**—To Edward G. Bach, Executor of the Estate of Isabel Hadock. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, Milwaukee, Wis.

West Coast Pipe Line Co., Dallas, Texas
Sept. 29 (letter of notification) 12,500 shares of capital stock (par $10). **Price**—For 10,000 shares at par and for remaining 2,500 shares $12.50 per share (latter to be sold for account of 23 stockholders). **Proceeds**—For working capital. **Underwriters** — White, Weld & Co. and Union Securities Corp., both of New York.

● **Whiting Corp., Harvey, Ill. (10/30)**
Oct. 10 filed 50,000 shares of 6% cumulative convertible preferred stock, series A. **Price**—At par ($25 per share). **Proceeds** — For new equipment and working capital. **Business**—Manufacture and sale of heavy equipment for manufacturers of food and chemical processing, and transportation, etc. **Underwriters**—William R. Staats & Co., Los Angeles, Calif.; and Shearson, Hammill & Co., New York.

★ **Wilcox-Gay Corp., Charlotte, Mich.**
Oct. 16 (letter of notification) $200,000 aggregate value of common stock (par $1) to be issued to employees under the Company's Employees' Stock Purchase Plan. **Price**—At the market (price around Oct. 14 was $1.12½ per share). **Underwriter**—None.

Wisdom Magazine, Inc., Beverly Hills, Calif.
Sept. 17 filed 6,600 shares of 5% cumulative preferred stock (par $100) and 6,600 shares of common stock (par $10) to be offered in units of one share of preferred and one share of common stock. **Price**—$110 per unit. **Proceeds**—To publish new national picture magazine. **Underwriter**—None. An earlier registration statement filed July 14, 1952, covering a like offering of preferred and common shares was withdrawn Aug. 1, 1952.

★ **Wyoming National Oil Co., Inc., Denver, Colo.**
Oct. 10 (letter of notification) 500,000 shares of common stock (par five cents). **Price**—25 cents per share. **Proceeds**—To drill and equip wells. **Underwriter** — R. L. Hughes & Co., Denver, Colo.

Zenda Gold Mining Co., Salt Lake City, Utah
Aug. 18 (letter of notification) 1,200,000 shares of common stock (par 10 cents). **Price**—At market, but not less than par value. (Current quotation of the company's stock on the Los Angeles Stock Exchange is seven cents bid and nine cents offered, if $120,000 gross sales price is received by the issue before all shares are sold, no further shares will be offered). **Proceeds** — For Alaska tin placer leases, exploration and development, retirement of debt, and working capital. **Office**—30 Exchange Place, Salt Lake City 1, Utah. **Underwriter**—Samuel B. Franklin & Co. of Los Angeles, Calif.

Prospective Offerings

★ Aluminium Ltd.
Oct. 15 directors expected that additional financing will be undertaken in 1953 to meet the major part of the increase in the estimated cost of the expansion program. The First Boston Corp., and A. E. Ames & Co., Ltd., acted as dealer-managers in stock offering to stockholders in Oct. 1951.

American Trust Co., San Francisco, Cal. (11/12)
Sept. 30 Blyth & Co. Inc. and associates agreed to purchase at $55 per share such number of common shares sufficient to provide the funds required to retire on Oct. 27 the 4% convertible preferred stock (par $50) remaining outstanding after expiration of the conversion privilege at 5 p.m. (PST) on Oct. 22. The preferred is convertible for common stock on a share-for-share basis. The bank plans offer of additional common stock on or about Nov. 12 on a pro rata basis for a 30-day standby with Blyth & Co., Inc. underwriting.

Arkansas Louisiana Gas Co.
Dec. 6, 1951 it was reported company may issue and sell $35,000,000 of first mortgage bonds. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Lazard Freres & Co. (jointly); Union Securities Corp.; Smith, Barney & Co.; Equitable Securities Corp. **Proceeds**—To repay bank loans and for new construction.

Arkansas Natural Gas Co.
Oct. 3 it was reported company plans to issue and sell $23,000,000 of sinking fund debentures due 1972. **Proceeds**—To retire $21,877,760 preferred stock at $10.50 per share. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Lazard Freres & Co. (jointly); Smith, Barney & Co.

Arkansas Power & Light Co.
Aug. 7 C. Hamilton Moses, President, announced that the company expects to borrow additional money next Spring to finance its 1953 construction program, which, it is estimated, will involve $29,500,000.

Byrd Oil Corp., Dallas, Tex.
July 22 it was announced stockholders will in the fall receive the right to subscribe for $1,700,000 of 5½% first mortgage (convertible) bonds on a pro rata basis for a 14-day standby (certain stockholders have waived their rights). **Proceeds**—To repay bank loans and for development and exploration expenses. **Underwriters**—Probably Dallas Rupe & Son, Dallas, Tex.; Carl M. Loeb, Rhoades & Co., New York; and Straus, Blosser & McDowell, Chicago, Ill.

California Electric Power Co.
Oct. 7 it was announced company intends to sell early in 1953 approximately $10,000,000 of additional new securities, the type of which has not yet been determined. Bidders for common stock may include: Merrill Lynch, Pierce, Fenner & Beane and Dean Witter & Co. (jointly); Kidder, Peabody & Co.; Blyth & Co., Inc.

● Central Hudson Gas & Electric Corp.
Oct. 20 filed with New York P. S. Commission for permission to issue and sell $6,000,000 first mortgage bonds, the proceeds to be used for new construction. Latest bond financing was done privately in March, 1951, through Kidder, Peabody & Co., New York.

Central Maine Power Co.
Sept. 2 it was announced company soon after March 1, 1953, intends to issue and sell $6,000,000 of first and general mortgage bonds and sufficient common stock to yield approximately $5,000,000 to refund the then outstanding short-term notes. **Underwriters**—To be determined by competitive bidding. Probable bidder—(1) For bonds, Halsey, Stuart & Co. Inc.; Coffin & Burr, Inc. and The First Boston Corp. (jointly); Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Harriman Ripley & Co., Inc.; Salomon Bros. & Hutzler. (2) For stock, Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Coffin & Burr, Inc. and The First Boston Corp. (jointly); Harriman Ripley & Co., Inc.

Columbia Gas System, Inc., N. Y.
Oct. 10 it was announced company plans to issue and sell common stock and additional debentures early in the Spring of 1953. **Proceeds**—To repay bank loans and for construction program. Company has sought SEC authority to borrow from banks an aggregate of $25,000,000. **Underwriters**—To be determined by competitive bidding. Probable bidders: For stock, Merrill Lynch, Pierce, Fenner & Beane, White, Weld & Co. and R. W. Pressprich & Co. (jointly); Morgan Stanley & Co. For debentures, Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

Connecticut Light & Power Co.
March 1 it was announced that it is presently estimated that approximately $11,000,000 of additional capital will be required during the latter half of 1952. **Underwriter**—Putnam & Co., Hartford, Conn.

Detroit & Toledo Shore Line RR. (11/15)
Sept. 17 it was announced that the company is planning to issue and sell $3,000,000 first mortgage bonds due 1982. **Proceeds** — To refund approximately $3,000,000 bonds which mature on Jan. 1, 1953. **Underwriters**—To be determined by competitive bidding. Probable bidders may include Halsey, Stuart & Co. Inc. **Bids**—Expected to be received about Nov. 15.

Duke Power Co.
Sept. 16 company announced that further construction will later on require additional financing. There are, however, no plans for raising any new capital at the present time. Stockholders on Oct. 15 will vote on increasing authorized capital stock to 5,000,000 shares from 1,500,000 shares and on approving a 3-for-1 stock split.

East Tennessee Natural Gas Co.
Sept. 29 it was announced company proposes to construct about 100 miles of pipe line the estimated cost of which, $5,784,606, is expected to be financed through the issuance of $4,500,000 of first mortgage bonds (which may be placed privately) and $1,300,000 of bank loans. **Traditional Underwriter**—White, Weld & Co., New York.

Eastern Utilities Associates
Sept. 3 it was announced that amended plant of reorganization of this company and subsidiaries calls for issuance by company of $7,000,000 debentures and a sufficient amount of common stock to raise approximately $2,000,000. plan further provides that Blackstone Valley Gas & Electric Co., Brockton Edison Co., and Fall River Electric Light Co. issue mortgage bonds. **Proceeds**—To repay bank loans. **Underwriters**—For EUA debentures may be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. (for bonds only); Lehman Brothers; Estabrook & Co. and Stone & Webster Securities Corp. (jointly); Glore, Forgan & Co. and Harriman Ripley & Co., Inc. (jointly).

Equitable Gas Co. (10/23)
Oct. 3 it was announced Philadelphia Co. proposes to invite competitive bids for its holdings of $6,354,000 of 20-year 3⅜% sinking fund debentures, due March 1, 1970, of Equitable Gas Co. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); and Harriman Ripley & Co., Inc.

European American Airlines, Inc.
June 11 it was reported company plans to raise an additional $400,000 of equity capital. An issue of $200,000 of capital stock was just recently placed privately at $7.50 per share. Underwriter — Gearhart, Kinnard & Otis, Inc., New York.

★ First National Bank & Trust Co., Evanston, Ill.
Oct. 15 it was announced stockholders will vote Oct. 28 on approving a proposal involving an offering of 25,000 additional shares of capital stock (par $20) to stockholders on a share-for-share basis. Rights will expire on Nov. 18. **Price**—$40 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

Frontier Refining Co.
Oct. 1 it was reported directors have authorized issuance and sale of $1,000,000 additional convertible debentures. **Proceeds**—To increase refining capacity. **Underwriters**—Peters, Writer & Christensen, Inc.; Sidlo, Simons, Roberts & Co.; Boettcher & Co.; and Bosworth, Sullivan & Co. handled sale in May 1, 1951 of a like amount of 5½% debentures due in 1961.

★ Garrett Freightlines, Inc. (10/30)
Oct. 17 it was announced company has applied to ICC for authority to issue and sell $1,100,000 6% convertible debentures due 1967. **Price**—At par. **Proceeds**—To retire outstanding debentures and preferred stock and for new equipment and working capital. **Underwriter**—Allen & Co., New York.

Gulf Interstate Gas Co., Houston, Tex.
Sept. 16 company applied to the FPC for authority to construct an 860-mile pipeline extending from southern Louisiana to a point in northeastern Kentucky. This project would cost about $127,887,000. Transportation of gas is expected to commence by Nov. 1, 1954.

Gulf States Utilities Co. (11/24)
Oct. 3 it was announced company plans to offer and sell $10,000,000 of first mortgage bonds. **Proceeds**—For new construction and to repay bank loans. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Carl M. Loeb, Rhoades & Co. and Lee Higginson Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Lehman Brothers; Stone & Webster Securities Corp. **Bids**—Expected to be received up to noon (EST) on Nov. 24. **Registration**—Planned for Oct. 24.

★ Hibernia National Bank, New Orleans, La. (11/6)
Oct. 17 it was announced that Bank proposes to offer for subscription by stockholders of record Nov. 6 a total of 25,000 additional shares of common stock (par $20) at the rate of one new share for each four shares held; rights to expire on Nov. 21. **Price**—$40 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Scharff & Jones, Inc. and White, Hattier & Sanford, both of New Orleans, La.

International Minerals & Chemical Corp.
Oct. 1 it was announced stockholders will vote Oct. 23 on approving issuance of up to $20,000,000 of subordinated convertible debentures. **Proceeds**—For expansion program. **Underwriter**—White, Weld & Co., New York.

Kansas City Power & Light Co.
Sept. 15 company announced that it plans to issue and sell late in 1952 $12,000,000 principal amount of first mortgage bonds **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; Blyth & Co., Inc. and Lazzard Freres & Co. (jointly); The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly); Smith, Barney & Co.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Equitable Securities Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); Harriman Ripley & Co., Inc. **Proceeds**—For new construction.

Laclede Gas Co.
Oct. 1 it was reported company may issue and sell $10,000,000 to $12,000,000 of securities, probably bonds. **Proceeds**—For new construction. In August of last year, an issue of $8,000,000 3¾% first mortgage bonds due 1976 was placed privately through Lehman Brothers and Merrill Lynch, Pierce, Fenner & Beane.

Mansfield Tire & Rubber Co.
Oct. 1 it was reported company plans issuance and sale of a convertible preferred stock issue. **Underwriter**—A. G. Becker & Co. Inc., Chicago, Ill.

MidSouth Gas Co.
Sept. 23 company was authorized by FPC to construct 191 miles of natural gas pipeline and to acquire an existing 38-mile line from Arkansas Power & Light Co. at an aggregate estimated cost of $4,524,200. Stock financing in July, 1951, was underwritten by Equitable Securities Corp.; T. J. Raney & Sons; and Womeldorff & Lindsey.

Mississippi Power & Light Co.
March 14 it was reported company plans to issue and sell in November an issue of $8,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probably bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp. and W. C. Langley & Co. (jointly); Equitable Securities Corp. and Shields & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp.

Mutual Telephone Co. (Hawaii)
Sept. 23 it was announced company expects to place privately in October an issue of $2,500,000 3½% bonds and plans to issue and sell next year about $3,000,000 securities, half in preferred stock and half in common stock. **Traditional Underwriter**—Kidder, Peabody & Co., New York.

Narragansett Electric Co.
Oct. 7 it was reported company plans issuance and sale of about $10,000,000 first mortgage bonds, series D. **Proceeds** — To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Glore, Forgan & Co. (jointly); Salomon Bros. & Hutzler; Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); Lehman Brothers and Goldman, Sachs & Co. (jointly); Union Securities Corp.; The First Boston Corp.; White, Weld & Co. **Offering**—Expected late this year or early in 1953.

National Credit Card, Inc., Portland, Ore.
Sept. 8 it was reported company is considering doing some equity financing (probably in the form of class B stock of $20 par value).

● New England Telephone & Telegraph Co. (12/9)
Oct. 21 company announced it plans to issue and sell an issue of $20,000,000 of 25-year debentures. **Proceeds**—To repay bank loans, etc. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Tentatively expected to be received on Dec. 9.

● New England Telephone & Telegraph Co.
Oct. 21 directors authorized an offering to stockholders of 232,558 additional shares of capital stock at the rate of one new share for each 10 shares held. **Price**—At par ($100 per share). **Proceeds** — For repayment of bank loans, etc. **Underwriter**—None. American Telephone & Telegraph Co. holds about 70% of the presently outstanding capital stock.

New Orleans Public Service Inc. (12/15)
July 24 company announced plans to issue and sell $6,000,000 of first mortgage bonds due Dec. 1, 1982. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co. and Stone & Webster Securities Corp (jointly); Equitable Securities Corp.; Union Securities Corp. **Registration** — Expected about Nov. 14. **Bids** — Tentatively set for Dec. 15.

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Northern Indiana Public Service Co.
Sept. 18 it was reported company may issue and sell shortly after the close of this year some additional preferred and common stock. **Underwriters**—May be Central Republic Co. (Inc.), Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane.

Northern Natural Gas Co., Omaha, Neb.
Sept. 17 company sought FPC authority to construct pipeline facilities to cost an estimated $69,826,000. This would include about 442 miles of main pipeline additions; installation of a total of 73,600 h.p. in new and existing compressor stations; and numerous branch line additions. Probable bidders for debentures or bonds; Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First mortgage pipeline bonds, and preferred and common Boston Corp. and Kidder, Peabody & Co. (jointly). Common stock financing will probably be done via rights.

Pacific Associates, Inc.
Sept. 13 it was reported corporation plans to sell publicly an issue of prior preference stock to finance expansion of Kaar Engineering Corp. of Palo Alto, Calif.

Pacific Gas & Electric Co.
Oct. 21 it was announced that North American Co. plans to sell 78,684 shares of common stock (par $25) of Pacific Gas which it received upon dissolution of a former subsidiary. **Underwriters**—To be determined by competitive bidding. Probable bidders may include Blyth & Co., Inc.

Pacific Northwest Pipeline Corp.
Aug. 29 company filed a second substitute application with the FPC proposing to construct a 1,384-mile transmission line extending from the San Juan Basin in New Mexico and Colorado to market areas in the Pacific Northwest. Estimated overall capital cost of the project is $179,000,000. Financing is expected to consist of first stocks, and is expected to be completed by April, 1953. **Underwriters**—White, Weld & Co. and Kidder, Peabody & Co., both of New York, and Dominion Securities Corp., Ltd., Toronto, Canada.

Pacific Telephone & Telegraph Co.
Sept. 3 company was authorized by the California P. U. Commission to offer for subscription by stockholders an additional 703,375 shares of common stock (par $100) in the ratio of one new share for each nine shares of common or preferred stock held. American Telephone & Telegraph Co., the parent, presently owns approximately 90% of the outstanding common stock. **Price**—At par. **Proceeds**—To repay construction loans and for further expansion. **Underwriter**—None. **Offering**—Expected sometime in December.

Pacific Telephone & Telegraph Co. (11/18)
Sept. 3 California P. U. Commission approved a proposal authorizing the company to issue and sell $35,000,000 of debentures due Nov. 15, 1979. **Proceeds** — For repayment of advances and bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Union Securities Corp. (jointly); White, Weld & Co.; Morgan Stanley & Co. **Bids**—Tentatively set to be received at 8:30 a.m. (PST) on November 18.

Pennsylvania Power & Light Co.
Oct. 3 it was reported company may be planning to issue and sell $10,000,000 of first mortgage bonds. Previous bond financing was done privately through The First Boston Corp. and Drexel & Co. If competitive, probable bidders may include: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Equitable Securities Corp.; White, Weld & Co.; Smith, Barney & Co.

Peoples Gas Light & Coke Co.
Sept. 29 it was announced company plans issue and sale to present stockholders of 186,715 shares of capital stock on a one-for-five basis. **Price**—At par ($100 per share). **Proceeds**—For expansion program. **Underwriter**—None.

San Diego Gas & Electric Co.
July 1, L. M. Klauber announced that of the more than $18,000,000 required for capital improvements in 1952, approximately $4,000,000 will become available from depreciation reserves and earned surplus, while the remainder must be secured through the sale of securities. **Underwriter**—Blyth & Co., Inc. handled previous preferred stock financing.

Sinclair Oil Corp.
Oct. 6 company announced it plans to file with the SEC in the latter part of this month a registration statement covering a proposed issue of about $100,000,000 new convertible subordinated debentures to be offered initially to stockholders. **Price**—To be determined at a later date. **Proceeds** — For expansion program. **Underwriters** — Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Beane, both of New York. **Registration**—Statement expected to be filed this month.

Southern Natural Gas Co.
Sept. 15 it was announced that the company expects to sell additional bonds during the first six months of 1953 in the amount then permissible under its mortgage indenture, and to provide for other permanent financing by the sale of additional first mortgage bonds or other securities in such amounts as may be appropriate at the time. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; The First Boston Corp., Blyth & Co. Inc. and Kidder, Peabody & Co. (jointly). Any stock financing may be via stockholders.

● Southern Ry.
Oct. 16 it was announced stockholders will vote Nov. 21 on approving a proposal to issue up to $89,643,000 of refunding bonds to provide funds to refund a like amount of bonds which mature up to and including Nov. 1, 1956. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb Oct. 16 it was announced company plans to issue and sell & Co.; Morgan Stanley & Co.

Southwestern Development Co.
Oct. 3 it was reported sale of this company's common stock (at least 260,000 shares) by Sinclair Oil Corp. is planned. **Underwriter** — Union Securities Corp., New York.

Southwestern Public Service Co.
Aug. 4 it was reported that company may do some additional common stock financing (with offer to be made first to stockholders) and use the proceeds toward its construction program which, it is estimated, will involve approximately $23,000,000 for the year ended Aug. 31, 1953. Additional bond and preferred stock financing may also be necessary; this previously was done privately. **Underwriter**—Dillon, Read & Co. Inc., New York.

Standard Tungsten Corp.
Oct. 1 is was reported company planned to issue and sell 150,000 shares of common stock. **Price** — $2 per share. **Underwriter** — Scott, Khoury, Brockman & Co., Inc., New York.

Texas-Ohio Gas Co.
Sept. 30 FPC scheduled an oral argument for Oct. 20 on a motion by National Coal Association and others to deny company's application to build a 1,406-mile pipeline extending from Texas into West Virginia and to import natural gas from Mexico. The estimated cost of the project is over $184,000,000. **Underwriter**—Kidder, Peabody & Co., New York.

★ Thurston Chemical Co., Joplin, Mo.
40,000 shares of convertible preferred stock (par $25) and that certain stockholders plan sale of about 84,000 shares of common stock. **Registration** — Expected this week. **Underwriter**—Stern Bros. & Co., Kansas City, Mo.

Toledo Edison Co.
Oct. 3 it was reported company plans issue and sale of $7,500,000 first mortgage bonds and 500,000 shares of common stock. **Proceeds**—For construction program. **Underwriters**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp. and Salomon Bros. & Hutzler (jointly); Carl M. Loeb, Rhoades & Co.; Kidder, Peabody & Co.; The First Boston Corp. The common stock offering may be underwritten by The First Boston Corp. In 1950, the following group bid for common stock issue: Merrill Lynch, Pierce, Fenner & Beane; Blyth & Co., Inc.; Smith, Barney & Co. and Collin, Norton & Co. (jointly); Lehman Brothers, Harriman Ripley & Co., Inc., Bear, Stearns & Co. and Carl M. Loeb, Rhoades & Co. (jointly); W. C. Langley & Co. **Offering**—Of bonds, probably in November; and of stock, later in 1952.

United States Pipe Line Co. (Del.)
Sept. 25, 1950 it was announced that this company had been formed to build, own and operate a petroleum products pipeline from the Texas Gulf Coast to St. Louis, Chicago and other midwest markets to operate as a "common carrier." The initial financing has been arranged for privately with no public offering expected for at least two years. E. Holley Poe and Paul Ryan, of 70 Pine St., New York, N. Y., are the principal officers of the corporation. **Underwriters**—Probably Dillon, Read & Co. Inc. and Glore, Forgan & Co., both of New York.

● Western Natural Gas Co.
Sept. 2 stockholders approved the creation of an authorized issue of 500,800 shares of preferred stock (par $30), of which the company plans to offer about 170,000 shares as convertible preferred stock (carrying a dividend rate of about 5%) for subscription by common stockholders on a 1-for-20 basis. **Proceeds** — To redeem 2,053 outstanding shares of 5% preferred stock (par $100), to retire bank loans and for new construction. **Traditional Underwriter**—White, Weld & Co., New York.

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The Great Mistake of Karl Marx

their stock should rise as the amount of their investment increases.

And so, of course, it should; but since it doesn't they will conclude, I am sure, that they are NOT getting a "fair" profit, and they will insist not only on higher wages, but on higher dividends as well.

Competition Would Still Be in the Market Place

Which means, of course, higher prices. But right here, unhappily, they run into the stern realities of competition in the market place. And nowadays, of course, they also run into a little matter of government price controls.

So they go back over the books once more in a final effort to find some money somewhere and they run across an item headed "taxes." Now that's when the lid blows off.

The boys discover that for every $1 they are getting in dividends, the company is paying about $6 in taxes to the Federal, State and local Governments. Well, I will leave it to you to imagine all of the colorful language that would greet this discovery, but I seem to hear one of the delegates saying: "Holy smoke, Dave! I thought you said we had a friendly gentleman in the White House!"

And at this point I can see Dave putting in a five-alarm emergency call to Phil. Dave's conversation, I suspect, would go about like this:

"Look, Phil," he would say, "the boys are pretty sore. They want you to get right down to Washington. They want you to tell those fellows down there that they've got to lower taxes. And they've got to cut out a lot of this spending, too. Defense is all right, but this boondoggling, and payroll padding has just got to stop. Jumpin' Jehoshaphat, Phil, the boys can't afford it!"

Then Dave would go on to say: "And by the way, Phil, while you're down there, you'd better tell Congress to toss those price controls into the ash can. Yeah, that's right. The boys can't afford them, either."

Why, it is even possible that in some future election, Phil and Dave and I would all be voting for the same Presidential candidate!

But that, of course, is pure conjecture; and it may be that in giving rein to my imagination, I have innocently misquoted some of the future statements of my future successors. If so, I apologize to them most humbly.

Yet I can't help feeling that if the workers in America ever did own the tools of production, all of us would quickly learn a few very fundamental and very simple economic truths that have somehow escaped a great many of our people.

Folly of Conflict Between Owner and Worker

We would learn that this endless conflict between owner and worker is the sheerest, unadulterated folly; for when we fight over profits, we are fighting over peanuts.

Of the total sum which the workers and the owners of U. S. Steel divided up between them last year, more than 92% went to the workers, while less than 8% went to the owners. Yet that small share which went to the owners was the total "rent" we paid them for all of the billions of dollars worth of plants and furnaces and facilities we used in making steel. And without these facilities, of course, our men could not have made any steel at all.

Let the workers take one-tenth of everything the owners received for the use of these tools, and what would they get? Peanuts, as I have said. Less than a dime a day. But let them go whole hog and grab all of the owners' share . . . let them wipe out all of these dividends completely and forever . . . and what happens then? They would destroy the company, destroy their jobs, work infinite harm upon a vast segment of our national economy and wipe out the savings which more than 275,000 of their fellow Americans have invested in our business. And for what? For the price of about three cartons of cigarettes a week, apiece!

No, my friends, American workers will never improve their standard of living by grabbing the meager share which the owners get from our present economic pie. They will only do it by producing a larger pie with a bigger share for everyone.

More Production Is the Answer

If we produce more goods we shall have more goods to divide among ourselves. If we produce fewer goods we shall have less to divide and less to live on. For no matter how many billions of dollars we may have in our collective pocket as a nation, we cannot buy more than we have produced; and the dollars themselves mean nothing. They are only paper, and we cannot eat them, wear them, or build a house of them.

And there we have the simple, economic truths of the matter. To live better we must produce more; but production is the result of teamwork, not of conflict. We cannot produce by fighting each other and hating each other: for by doing that we destroy ourselves. And we shall only achieve our fullest measure of production when we begin to understand that the interests of worker and owner are not antagonistic, but identical . . . that under our American system of enterprise it is impossible for one to prosper while the other suffers.

That is the lesson which, somehow, we must learn; yet we find people today—both in and out of the crackpot fraternity of Karl Marx—who are trying to keep us from learning it. They seek to breed suspicion and distrust among us. They tell us that one economic group is the "natural enemy" of another; and they ask us for vast political power so that they can "protect" us against those nonexistent economic enemies. In short, they follow the old political maxim: "Divide and Rule."

Sad to relate, that policy has served them well on occasions, but it has always served America ill. There is no future in it for us or for our people. But there is a future—and a very great future—for every American in protecting and perfecting the only economic system in the world where men and women, in every walk of life, can and do own the tools of production.

And we shall never reach that future by following the leadership of men who preach the spiteful doctrine of "Divide and Rule." We shall reach it only through our steadfast determination to unite and produce!

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News About Banks and Bankers

Whipple, will assume his new duties with the bank in November. At the same meeting of the Directors, held on Oct. 14, Ralph D. Powell was promoted to Assistant Vice-President and Investment Officer. Mr. Gilman graduated from Yale University in 1925. Upon graduation from the Harvard Law School three years later, he became associated with the law firm of Gage, Hamilton, June & White, with whom he has continued in practice. During the two years 1930 to 1932 he took a temporary position in Washington with the Department of Justice. Mr. Gilman is a trustee of the Worcester County Institution for Savings, a trustee of the R. C. Taylor Trust, and a director of William Allen Son's Company. He is active in Worcester civic affairs and is now President of the Worcester Taxpayers' Association and Chairman of the Board of Trustees of Bancroft School, a member of the Executive Committee of the Worcester Community Council, etc. Mr. Powell received his A. B. degree from Ohio University in 1920 and in 1922 received the degree of M. B. A. from the Harvard Graduate School of Business Administration. Prior to entering the employ of the Worcester County Trust in 1932, Mr. Powell was a statistician and an investment analyst with several financial institutions, including the Babson Statistical Organization.

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The Second Annual Business Management Conference for Senior Executives and Professional Men of Northern New Jersey will be held at the Hotel Alexander Hamilton, Paterson, N. J. on Oct. 30, Nov. 6 and Nov. 13 at 8 p.m. The speakers will include: Dr. Marcus Nadler, Lemuel Boulware, Vice-President of the General Electric Co., Rene Wormser, of the New York law firm of Myles, Wormser and Kock. The Business Management Conference is sponsored by the **County Bank & Trust Co.** of **Paterson and Passaic, N. J.**, of which C. Kenneth Fuller is President and Cowles Andrus, Executive Vice-President.

* * *

A consolidation of the **First National Bank & Trust Co. of Kearny, N. J.** and the **Harrison-Kearny Trust Co. of East Newark, N. J.** was effected under the charter and title of the First National Bank & Trust Co. of Kearny on Sept. 30. The latter had a capital (common stock) of $300,000, while the Harrison-Kearny Trust had a common stock of $100,000. At the effective date of the consolidation the enlarged First National Bank & Trust reported capital stock of $500,000 in 20,000 shares (common stock) of par $25 each; surplus of $550,000, and undivided profits of not less than $50,000.

* * *

John W. Clegg, Jr. has returned to his post as a Trust Officer of **The Pennsylvania Company for Banking and Trusts of Philadelphia** after serving as a Lieut. Colonel assigned to the Auditor General's Headquarters, U. S. Air Forces, since March, 1951. He will be in charge of the bank's trust new business activities.

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The First National Bank of Sayre, Pa. has increased its capital from $150,000 to $300,000 through a stock dividend of $150,000. The increased capital became effective Sept. 26.

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Three officers of **The Bank of Virginia** at **Richmond** were promoted and a new Assistant Cashier named, by action of the Board of Directors at the Oct. 10 meeting. John S. McClure was advanced to the office of Vice-President; Fred G. Brittle, Jr., was promoted to Assistant Vice-President; Paul M. Anderson was named General Auditor and Basil M. Jones, Jr., was elected an Assistant Cashier. Mr. McClure has been with the bank since July 6, 1941. Prior to that, he was associated with the **Chemical Bank and Trust Company in New York** and with brokerage firms in that city. Beginning in the discount department of the Bank of Virginia, he, was in 1947, assigned to the commercial loan department and was elected an Assistant Vice-President in December, 1949. Mr. McClure has served as a member of the Student Advisory Committee for the University of Richmond Evening School of Business Administration and is an instructor for American Institute of Banking courses.

Mr. Brittle became associated with the bank on July 17, 1944, after working with the Federal Reserve Bank since Oct. 25, 1926. He was named Auditor in 1945 and General Auditor on Aug. 22, 1949. He has been active in A.I.B. and is a past President of the Richmond (Va.) chapter. Mr. Anderson, the new General Auditor, became associated with the bank on July 12, 1945, as an accounting supervisor. He was named a Senior Auditor in 1947 and Resident Auditor for Richmond and Petersburg offices on Sept. 1, 1949. He is a member of the National Association of Bank Auditors and Comptrollers, First Virginia Conference; Chairman of the Audit Committee, Richmond Chapter, A.I.B. etc. Mr. Jones attended the University of Virginia and was a captain in the U. S. Army Air Corps in the last war. He joined the bank on Sept. 20, 1948, with work assignments in a number of departments. Since Jan. 2 of this year, he has been with the commercial loan department.

* * *

Walter T. Meyer and associates have acquired the controlling interests in the **South Shore National Bank of Chicago, Ill.**, it is announced by H. M. Batson, Executive Vice-President of the bank. Mr. Meyer becomes President and Chairman of the Board of Directors and George M. Murchinson, Assistant to the President and director. They succeed Lloyd Drexler and Benjamin F. Fohrman. Mr. Meyer was formerly associated with the National Banking Department and presently is Executive Vice-President of the **Citizens National Bank of Waukegan, Ill.**

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As a result of the sale of $500,000 of new stock, the **United States National Bank of Omaha, Neb.** increased its capital, effective Oct. 15, from $1,500,000 to $2,000,000.

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The Board of Directors of **The First National Bank of Fort Worth, Texas,** announced the election of Harry W. Phillips as Vice-President effective Oct. 20.

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The Board of Governors of the **Federal Reserve System** has appointed Hal Bogle, of Dexter, New Mexico, a Class C director of the **Federal Reserve Bank of Dallas,** for the unexpired portion of a three-year term of office ending Dec. 31, 1953. He succeeds Mr. G. A. Frierson, merchant and planter, of Shreveport, Louisiana, who resigned. Mr. Bogle is engaged in livestock feeding, farming, and ranching. He has been serving as a director of the El Paso Branch of the Federal Reserve Bank of Dallas since March, 1945.

* * *

The new West Sacramento office of the **Anglo California National Bank of San Francisco** opened for business on Oct. 15, Allard A. Calkins, Chairman of the Board announced. The first bank to be established in West Sacramento, Anglo's new office is located at Jefferson Boulevard and Merkley Avenue in a new building of modernistic design. A night-and-holiday depository and a customers' parking area in the rear are among the features. Everett W. Johnson, Assistant Vice-President and Manager, is in charge. John A. Mount is Assistant Manager. The new office is Anglo's fourth in the Sacramento area.

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The opening recently of a new banking establishment in Osaka, Japan, by **Bank of America N. T. & S. A.** was announced from the bank's San Francisco headquarters by Russell G. Smith, Executive Vice-President in charge of the bank's international banking affairs. Fourth Japanese city to have a branch of the California branch bank, Osaka is an industrial and financial center located on the southern part of Honshu Island. Developments in the past five years have made it one of the Far East's principal ports, it is stated. Other Bank of America branches are in Tokyo, Yokohama and Kobe. Officers from the bank's present Far East staff will operate the new branch, it is announced. Jack Wallace, Manager of Kobe branch for the past three and one-half years, has been appointed to the Osaka Managership. He will be aided by C. E. Steiger, also from Kobe branch, who is to serve as Assistant Manager and Operations Officer.

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The directors of the **Midland Bank Limited of London** announced that Admiral of the Fleet Sir Philip Vian, G.C.B., K.B.E., D.S.O., and Lt.-Colonel John Philip Hunt, T.D., J.P., have been elected members of their Board and of the Board of the Midland Bank Executor and Trustee Company Limited.

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Now Kenneth Ellis & Co.

PHOENIX, Ariz. — The firm name of Ellis & Yarrow, 240 North Central Avenue, has been changed to Kenneth Ellis & Co. Paul W. Yarrow has retired from the firm.

Principale Inv. Co.

Giacomo Principale is engaging in a securities business from offices at 740 East 225th Street, New York City, under the firm name of Principale Investments Co.

Kellard Assoc. Formed

Kellard Associates has been formed with offices at 170 Broadway, New York City, to engage in the securities business. Partners are V. J. Di Fiore; E. A. Kelley; and F. J. Larkin.

With Perry T. Blaine

(Special to The Financial Chronicle)

ASHTABULA, Ohio — Clarence D. Owen has become affiliated with Perry T. Blaine & Co., 221 Center Street.

Joins Clair Hall Staff

(Special to The Financial Chronicle)

CINCINNATI, Ohio — F. Alma Stanton has become affiliated with Clair S. Hall & Company, Union Trust Building.

To Retire From Firm

Henry Grote will retire from partnership in David A. Noyes & Co., Chicago, on Oct. 31.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Chairman Maple T. Harl of the Federal Deposit Insurance Corp., who is proud both of being a Democrat and a crony of Harry Truman, has taken the leadership in instituting a boon of great value to the corporation's 1,080 employees on the eve of the national election.

Effective Nov. 1 (the election being Nov. 4) these 1,080 employees hereafter will have their personal hospitalization insurance paid out of FDIC funds. This covers their hospitalization for causes for which such plans provide insurance — not merely the employer's liability for illness or accident sustained in the course of business.

So far as it is known, FDIC is the first government agency ever to pay for the private hospitalization insurance of its employees.

This insurance, however, as it will be paid for by FDIC, will not cover the families of employees. If the corporation's hired hands want to extend the coverage to their families they must pay for it themselves.

FDIC's generous attitude toward its employees at this particular season does not end with the prospective payment by FDIC of hospitalization insurance. Mr. Harl, it is understood, has long been interested in a plan to provide that there be group life insurance upon the agency's employees. A plan is said to be under consideration whereby 50% of the cost of that group life plan would be covered out of FDIC funds, and the balance by the employees themselves.

This group life plan has not as yet been approved, however. Payment by FDIC for the hospitalization insurance has been ordered by vote of the FDIC board, on the other hand, to become effective Nov. 1. The Board's other appointive member is H. Earl Cook, former Ohio bank supervisor and banker. He was appointed as a Republican.

Of FDIC's 1,080 employees, 370 are in "voteless" Washington, D. C. and the balance are scattered throughout the country. Not all those working in the District of Columbia, however, are necessarily voteless. Some live in adjacent Maryland and Virginia where they could qualify to vote. Those actually residing in D. C. often can get absentee ballots.

FDIC is unique among government agencies in that not a cent of its expense money comes from the Treasury or monies appropriated by Congress. All of it comes from insurance assessments upon banks. These assessments pay administrative expenses, losses, if any, and go for the building up of deposit insurance reserves.

Hence the generosity of FDIC toward its employees is undertaken at the expense of the banks, but not at the expense of the Federal taxpayers.

Since Congress is not called upon to appropriate money for the agency, the Budget Bureau has no control over FDIC's budget, other than to review it with a possibility of offering advice. The FDIC may accept or reject the advice.

On the other hand, the General Accounting Office is empowered to audit FDIC's payments.

Report on Empire

Some three years ago—exactly on Oct. 28, 1949—Congress laid the foundation for a new bureaucratic empire. Like many others, it is socialistic in fact but operates under a facade of "cooperatives." The prospective new empire is the government telephone business.

After three years the government has allocated something like $100 million for loans to finance the construction, installation, or modernization of telephone lines and facilities. These are in about 200 projects in 36 states but the number of them means little since they vary greatly in size. A small proportion of these projects have been put into operation, except where existing phone companies have been taken over.

This comparatively small loan volume, however, is not taken as a sign that the telephone business of the government will remain relatively insignificant as socialistic-like enterprises go. It is a rule that new programs are slow getting under way. It was even that way with the public housing program authorized in 1949, despite the fact that there had been a nucleus of Federal public housing bureaucracy since 1937.

Empire Is Limited

Immediate developer of this new government empire is the Rural Electrification Administration of the Department of Agriculture. REA now owns something more than half of the rural electric business, and the private utilities industry, something less than half. In the process the REA has become politically one of the most strongly-intrenched interests in the government. Serving millions, it is a political sacred cow, capable of receiving only mild advice from Congressional critics, but largely immune from serious political attack.

When REA was launched by President Roosevelt in the mid-30's, something like only 10% of the nation's farms were electrified, according to REA. Now the total having central station current, both private and government, is close to 90%.

In fact, it was the approach of saturation of the market which motivated REA to turn to the telephone business as a life-sustainer for the agency and a provider of jobs for its staff.

REA steps into the telephone business, however, under much more restricted opportunities than when it began aggressively to build rural electric lines through the device of more or less dummy "REA cooperatives."

As of the present time about 40% of the nation's farms have telephones, reports REA. Against the $100 million REA has approved for rural phone projects, however, the American Telephone and Telegraph Company has been spending about $100 million per year on rural lines since the end of War II, adding about 2,000,000 phones. Currently AT&T subsidiaries are making about 1,000 phone connections per day, but not all of these are new of course.

Sources other than the REA also indicate a greater saturation than does REA. They place the number of rural phones at 4,500,000, and the number of "farms" as so classified by the Census is not much more than 5,500,000 although there are additional dwellings in rural areas on patches of land too small to qualify as farms.

"Favor" Private Companies Equally

REA tells private telephone company people that it is interested only in financing rural telephone lines where service does not exist or facilitating improvements in existing lines and service, without regard to the form of ownership.

In other words, what REA says is that it will make available with no favor its easy money loans to both commercial and cooperative rural lines. The "commercial" category obviously excludes AT&T. These loans cost only 2% interest and run for 35 years.

If this were true it would mark a radical departure from REA policy, which in the financing of rural distribution lines favored the cooperative facade. This favoritism of "cooperatives," of course, was founded in law. REA was not permitted to loan to finance rural distribution lines privately owned and managed, and it IS permitted by the telephone law to finance commercial enterprises.

There was more to it than law, however. REA zealously sought to promote its "cooperatives" in the rural electrification field. Even now, despite professions of non-discrimination against commercial lines, it plays up non-profit operation from its loans.

REA has some evidence to support its contention that it is not just playing the cooperative game in the rural phone financing business. It has made 113 loans to supposedly commercial companies so far, against 94 to "cooperatives." However, the total sum of commercial loans was $31,152,000 to $63,566,000 for the "cooperative" loans, and the disparity against commercial loans admittedly is fast increasing.

REA points out that in one case it even assisted in bringing into existence a new commercial telephone company because no cooperative could be interested.

Independents Doubt Their Position

Independent telephone companies however, have grave doubts as to the possibility REA will continue to favor them with financing on equal terms with "cooperatives."

For instance, one group of tiny commercial companies was sold to a so-called "cooperative." The value of these companies was said to be about $1 million. The loan, however, was for $6 million. The extra increment obviously was for expansion.

Furthermore, in one Indiana case a telephone "cooperative" borrowed at 4% interest the sum of $286,000 from REA electrification cooperatives in order that it could have the "equity capital" required by the state regulatory agency. REA agreed to lend the telephone "cooperative" $6.8 million.

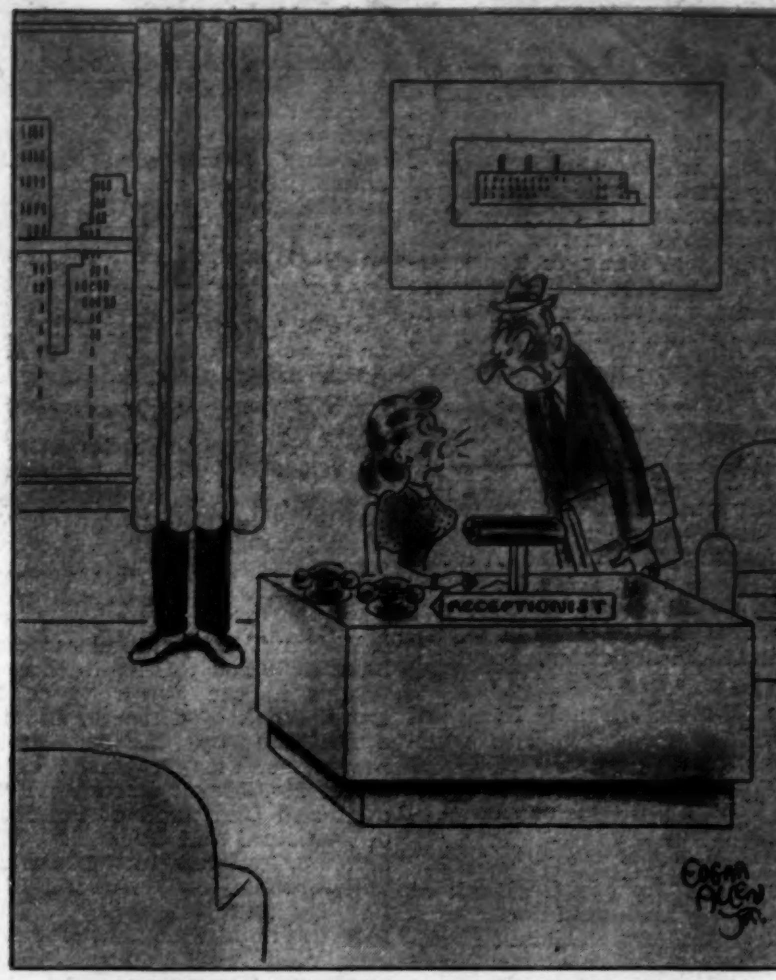
At last week's convention of the U.S. Independent Telephone Assn., a report asserted that the REA continues to solicit membership in areas already served by competing private companies, or surrounding such companies' lines.

Independents Will Be Hit

It is the view of observers that many of the thousands of small independent telephone companies, facing great difficulty in raising money, will be absorbed by REA co-ops. These are free of Federal income taxes. In the case of REA electric co-ops, they are totally or partially free, also, of rate regulation under legislation pressured through with the backing of the cooperative lobby.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ



"—and just what makes you think Mr. Boodle isn't out?"

Halsey, Stuart Group Offers Va. El. Bonds

A group of underwriters headed by Halsey, Stuart & Co. Inc. is offering $20,000,000 Virginia Electric & Power Co. first and refunding mortgage bonds series J, 3¼%, due Oct. 1, 1982. The bonds are priced at 101.541% and accrued interest. Award of the issue was won by the group Tuesday on a bid of 100.961%.

Net proceeds from the sale will be used to finance a portion of the company's construction program. In the five years 1947-1951, the company expended $156,000,000 on additions and improvements to its property. Construction expenditures for 1952 are estimated at $50,000,000, with $27,200,000 spent through July 31. The estimate for 1952 includes $20,900,000 for additional generating capacity and $7,800,000 for electric transmission facilities. Expenditures for 1953 are tentatively set at $42,000,000, but this is contingent upon the availability of materials.

The bonds are redeemable at the option of the Company at prices ranging from 104.55% to par, and for the sinking and improvement fund or the maintenance and improvement fund, at prices ranging from 101.55% to par.

Virginia Electric & Power Co. is an electric utility operating in most of Virginia and in portions of North Carolina and West Virginia. It also distributes natural gas in Norfolk and Newport News. Population of territories served by the company is estimated at 2,200,000, about two-thirds of whom reside in communities of 1,000 or more. For the 12 months ended July 31, 1952, electric business provided 96% of the company's operating revenues, and its gas business, 4%.

Operating revenues of the utility in the 12 months ended July 31, 1952 aggregated $73,528,000; net operating revenues amounted to $15,071,000, and net income $11,701,000.